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ABSTRACT

This publication presents papers from an invitational seminar, the case for Low-Tuition Public Higher Education, February 1974 and other useful documents on the same subject. Topics cover some introductory perspectives on low tuition; financing higher education; an analysis of recent tuition policy recommendations; equity and the middle class; a view from Capitol Hill concerning tuition; preliminary comments on postsecondary tuition levels as viewed by a state chancellor; and a university president's view of the future trends in low tuition. (MJM)

Exploring the Case for Low Tuition in Public Higher Education

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EXPLORING THE CASE FOR LOW TUITION IN PUBLIC HIGHER EDUCATION

Exploring the Case for Low Tuition in Public Higher Education

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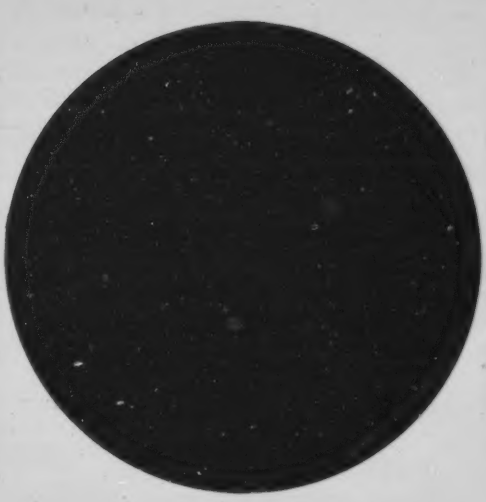

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FOREWORD

Early in 1974, the three national associations representative of public higher education in the United States decided to cooperate in sponsoring a meeting to reexamine the case for low-tuition public higher education. Because The American College Testing Program in 1970 had sponsored the highly successful Invitational Seminar on Financing Higher Education and was interested in identifying needed research in this area, ACT was asked to join in the sponsorship of this follow-up meeting.

On February 14, 1974, approximately 100 invited guests participated in an Invitational Seminar, The Case for Low-Tuition Public Higher Education, held at L'enfant Plaza Hotel in Washington, D.C. The purpose of the seminar was "to explore the intellectual arguments for the low-tuition principle and to identify possible future lines of research into the economic, social, and political consequences of changes in current tuition levels."

The seminar was not intended as a forum for debate of the issue of no tuition vs. low tuition vs. high tuition. Nor was it planned as a gathering of true believers wishing to give testimony. Most of the participants were supporters of public higher education determined to look critically at the arguments both for and against low tuition and the assumptions and facts standing behind those arguments.

A number of papers came out of the seminar. It was decided to combine some of those papers with other useful documents on the same subject into a single publication, which then might serve as a useful reference resource. This publication, *Exploring the Case for Low Tuition in Public Higher Education*, is the result. We hope that you find it to be useful.

Edmund J. Gleazer, Jr.
Ralph K. Huitt
Allan W. Ostar

Chapter 1

SOME INTRODUCTORY PERSPECTIVES ON LOW TUITION

Kenneth E. Young and Fred F. Harcleroad

The low-tuition principle has been one of the unique features of American public higher education. A number of European countries have free, but highly selective, universities. Only in the United States, however, has higher education been offered with no or low tuition to a broad segment of the college-age population. Although this principle is not much more than 100 years old, it has in effect revolutionized college and university education. In 1900, only 4 percent of the 17-22 age group were in college, and only 38 percent of this small select group of college and university students were in public institutions. In 1973, attendance had risen to about 40 percent of the "college-age" group and more than 76 percent of this larger group were attending public institutions. These extremely large increases have been possible because tuitions and fees were quite low and financing of higher education was accepted by "society" as its responsibility—basically through state and local government, individual gifts, churches, and foundations.

Beginning in about 1965, however, several forces came into play that, combined, have threatened America's traditional low-tuition posture.

- Tuition and required fees at public institutions, which had never totaled over $100, began to increase slowly after World War II and then even more rapidly in the late 1960s, reaching $388 by 1972.[1]

- National educational associations intensified their efforts to obtain direct, noncategorical federal aid for institutions of higher education,

[1] Many public junior and community colleges and some 4-year colleges and universities do not assess tuition (a charge for instruction), but most institutions do have fees for various related services.

thus focusing increased attention on the basic question of financing higher education.

- Private colleges and universities became increasingly concerned over (1) growth in costs, (2) the growing tuition gap between public and private institutions, and (3) the smaller proportion of total enrollments in private colleges and universities, even though their total enrollments have continued to grow.

- A combination of tightening budgets and disenchantment over campus unrest prompted state governors and legislators to question previous funding practices in education along with other areas.

- Economists and special interest groups began to take an interest in the issues involved in financing higher education, producing a spate of articles, special studies, and specific proposals.

One of the first documents to receive national attention was the Zacharias proposal of 1967, followed in short order by the Rivlin report[2] in 1969, a report of the Joint Economic Committee in Congress,[3] and many individual articles by such people as G. S. Becker, Mary Jane Bowman, Allan Cartter, André Daniére, R. A. Freeman, Milton Friedman, Joseph Froomkin, W. Lee Hansen, Robert W. Hartman, Selma J. Mushkin, June O'Neill, Theodore W. Schultz, Burton A. Weisbrod, and many others. Most of these people are economists, and many of them proposed significant changes in the financing of higher education.

Howard R. Bowen, Chancellor of the Claremont University Center, describes much of the subsequent development in his article on "Financing Higher Education: The Current State of the Debate." An earlier publication of The American College Testing Program[4] has reviewed the major dimensions of the debate over the financing of higher education, including:

- The economic issues
- The social issues

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[1] Jerrold R. Zacharias, *Equal Opportunity Bank*, Report of the Panel on Educational Innovation, The President's Science Advisory Committee, September, 1967.

[2] Alice M. Rivlin, *Toward a Long-Range Plan for Federal Financial Support for Higher Education*, A Report to the President, January 1969.

[3] *The Economics and Financing of Higher Education in the United States*, A Report to the Joint Economic Committee of the Congress of the United States, 1969.

[4] M. D. Orwig, Ed., *Financing Higher Education: Alternatives for the Federal Government* (Iowa City, Iowa: The American College Testing Program, 1971).

- Benefits and costs
- Alternative approaches, including loans, tax credits, institutional support, direct grants and revenue sharing with states, or various combinations of these methods.

Most of the recent discussion and many of these proposals have seemed to start from the assumption that low tuition is outmoded, inequitable, or regressive; attention has then focused on other approaches to financing higher education. It was for this reason that the seminar on low tuition and this publication came into being. As Fred F. Harcleroad said in his opening remarks at the seminar:

> Chris Arnold of the National Association of State Universities and Land-Grant Colleges has commented that the way things are going, *high* (rather than low) tuition public higher education may soon be regarded as a major American social invention. And that, I think, is why we all are here. We don't want that to happen. At least, we don't want it to happen accidentally or for the wrong reasons or as the result of actions by obviously self-interested groups.

And James L. Miller, Professor at the Center for the Study of Higher Education at the University of Michigan, subsequently commented that, "the reason for having to prove the obvious is that the obvious has been brought into question."

Joseph A. Pechman, Director of the Economic Studies Program at the Brookings Institution, put the issue of low tuition squarely in perspective.

> The real question is: What is the justification for public support of higher education? If there are no social benefits to higher education, there is no justification for public support. . . . Now I personally think there are social benefits to higher education, just as there are social benefits to elementary and secondary education. I don't think the social benefits stop when the child is educated up to the age of 18. My colleagues have never satisfied me that there is any justification for stopping at age 18 or 16 or 22. But I also want to caution you that, once having said that there are public benefits or social benefits to higher education, I don't know how to measure them. And what is more . . . I refuse to do studies to measure them, because I don't think they can ever be measured. I don't know how you can ever measure such things as improved social welfare, greater democracy, better politicians—which is the kind of thing you talk about when you talk about social benefits of education.

Despite Dr. Pechman's concern, faced with the problems of measurement, Stephen B. Withey, Program Director of the Institute for Social Research at the University of Michigan, explored the question of social benefits in his

paper at the seminar and even more fully in his book, *A Degree and What Else?* The same issue was approached from a slightly different perspective, by Lewis C. Solmon and Paul J. Taubman in the book, *Does College Matter?* S. V. Martorana, Senior Professor at the Center for the Study of Higher Education, Pennsylvania State University, said: "A large body of the populace is convinced that there are social benefits that accrue from postsecondary education."

And John P. Mallan, Director of Governmental Relations for the American Association of State Colleges and Universities, wrote in one of the seminar papers:

> Most of us committed to the great enterprise of public and private higher education in the United States have tended to take for granted the proposition that there are major benefits in the system for our whole society as well as for the individuals who attend college. But in recent years some critics, including a number of economists, have begun to question this assumption, and for that reason among others, to advocate much higher levels of tuition.

Anyone who has followed this debate at all closely in recent years will quickly come to two conclusions.

- The debate over financing higher education ultimately is one about who should receive what kind of higher education. This is why the debate is important and infused with emotion.

- Because of the nature of the basic question, the answer (or answers) must unavoidably be arrived at as a result of the political process. Economic analysis, social benefits research, policy studies at best can only serve to inform and enlighten the debate.

It is hoped that this publication will help readers to explore the intellectual arguments for the low-tuition principle and to identify possible future lines of research into the economic, social, and political consequences of changes in current tuition levels.

In Chapter 2, Howard R. Bowen has produced an analysis that has been described as "one of the most significant statements yet made on the

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Stephen B. Withey, Jo Anne Cable, Gerald Gurin, John P. Robinson, Burkhard Strumpel, Elizabeth Keogh Taylor, and Arthur C. Wolfe, *A Degree and What Else? Correlates and Consequences of a College Education*, Carnegie Commission on Higher Education (New York: McGraw-Hill, 1971).

Lewis C. Solmon and Paul J. Taubman, *Does College Matter? Some Evidence on the Impacts of Higher Education* (New York: Academic Press, Inc., 1973).

current place of higher education in our national priorities."* This document originally was presented as a speech at the 1974 annual meeting of the Association of American Colleges and subsequently was published by the Association of American Colleges, along with comments by Earl F. Cheit, Peggy Heim, Dan S. Martin, and David S. Mundel. The Bowen paper is included in this publication because it so ably sets the scene for the discussions that follow.

Dr. Bowen's review of the historical background of the recent debate on the financing of higher education identifies the basic issues as: (1) efficiency, (2) levels of tuition, (3) long-term student loans, and (4) the competitive position of the private sector. He then evaluates six recent reports in terms of these and related issues. The reports are those of:

- The Carnegie Commission on Higher Education
- The Committee for Economic Development
- The National Board on Graduate Education
- The National Commission on the Financing of Postsecondary Education
- The National Council of Independent Colleges and Universities
- The Special Task Force to the Secretary of the Department of Health, Education, and Welfare (The Newman Report)

Describing the six reports as "moderate and gradual in spirit," Dr. Bowen nevertheless points out that they "do try to set a new course. That course is toward higher tuitions, large grants based on means tests for millions of persons, and possibly heavy indebtedness for many." He then proceeds to examine some of the worrisome implications if this new course is followed. He concludes on a note of optimism, expressing the belief that higher education can be "a bouyant growth industry."

This conclusion appropriately leads into Chapter 3, where Carol Van Alstyne, Chief Economist of the American Council on Education, identifies and criticizes three main lines of argument on which proponents of increased tuition rest their case. First, their analysis of financial distress in higher education is too pessimistic in outlook and too narrow in perspective on its causes, which, she believes, lie more in fluctuations in the national economy and other factors extrinsic to higher education than within the educational system itself. Dr. Van Alstyne presents evidence to show that raising tuition is not necessarily an unavoidable response to the financial problems of higher education. Second, she argues that their conclusions about the present distributional inequity and inefficiency of public support for higher education are based on an incomplete analysis of the issues and a confusion over goals. Third, she finds that the reasoning that increased tuitions at public institutions would result in strengthening the private

*Frederic W. Ness, President, Association of American Colleges

institutions suffers from too much emphasis on competition for enrollment as the primary cause of financial distress in the private sector.

Dr. Van Alstyne's article presents valuable statistics and insights to support her conclusion that those who propose increasing tuitions take an overly dim view of the existing system and, at the same time, an overly idealized view of the reforms that their proposal would achieve. Finally, she summarizes the positive case for keeping tuitions low and points out that whichever alternative one espouses—whether increasing tuitions or keeping them low—the choice rests ultimately on one's system of values.

In Chapter 4, Larry L. Leslie and Gary P. Johnson, both faculty members at Pennsylvania State University, take a hard look at the Carnegie Commission and Committee for Economic Development reports in order to determine whether their recommendations would provide equity by income level. They argue that the proposals to increase public tuition and expand grant programs for low-income students would result in a regressive distribution of the burden, with the middle-income students and their families faring badly.

"Can or should equity as a goal be achieved by an inequitable means?" ask the authors. And they answer that "the politics of good higher education financing dictate equitable treatment for all," including the middle class.

The middle class is a concern, too, of Rep. James G. O'Hara, Chairman of the House Education Subcommittee, whose remarks appear in Chapter 5. He is "unalterably opposed to the concept that increased tuitions *anywhere* will lead to increased access for *anybody* at *any kind* of institution."

Rep. O'Hara calls for a well-financed, nationwide system of low-tuition or no-tuition state universities, colleges, and community and junior colleges, as well as independent institutions, "which must be strengthened and preserved to provide a wide variety of choice." Although he does not spell out the details, he expresses a belief that "we can, without doing violence to our institutions, or stretching our legislative ingenuity out of shape, come up with educational finance systems which will be consistent with our own educational tradition."

Chapter 6 presents the viewpoints of a chancellor of a statewide system of higher education and of a president of a large state university. G. Theodore Mitau, Chancellor of the Minnesota State College System, raises some questions about the "market model," which would provide funds to students and let them shop for higher education. He also expresses concern over the possible unanticipated adverse effects of higher tuitions. And he writes, "Surely this is a most inopportune moment to desert a marvelous system of

mass higher education, one which may well be the world's finest example of a public commitment to an educated electorate."

Dr. Harold L. Enarson, President of The Ohio State University, asks, "Where Do We Go from Here?" His presentation, based on his closing remarks at the recent seminar on low tuition, is an exhortation to public institutions and their supporters to work to preserve low tuition and educational opportunity. He observes that the struggle against rising tuition began long before the Carnegie Commission and the CED reports, and expresses the opinion that, in any event, the underlying premises in those documents have now been effectively demolished.

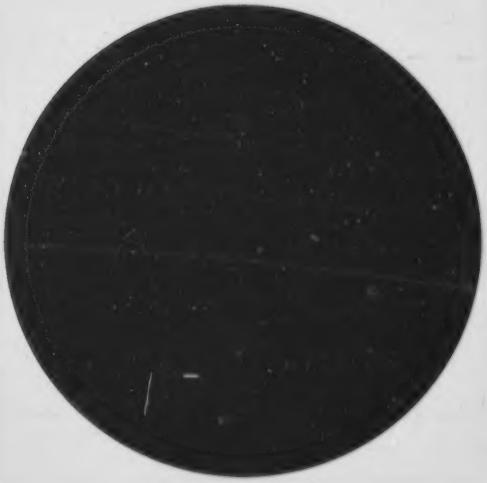
The battle, Dr. Enarson writes, has now shifted to the states; he describes what is happening in his own state of Ohio. Finally, he calls for a new agenda in higher education, including the degree of response to emerging needs.

The papers in this special report are designed and presented here to enhance the discussion on the best methods of financing higher education in our 50 states during the coming years. This is not an issue that should be resolved by political means alone. Nor is it an issue that should be studied by economists alone. Neither is it an issue that should divide public and private higher education.

The various associations which have sponsored these papers represent both public and private, nonprofit, higher education. The purpose of this report, both the papers and the appendixes, is to explore the intellectual arguments for the low-tuition principle and to identify possible future lines of research into the economic, social, and political consequences of changes in current tuition levels.

PART ONE

Exploring the Issues



Chapter 2

FINANCING HIGHER EDUCATION: THE CURRENT STATE OF THE DEBATE

Howard R. Bowen

The perennial debate on the financing of higher education has been unusually spirited in the past five or six years. It may now be reaching a climax. Literature on the subject has been multiplying and no less than six major reports by eminent national groups have recently been issued. Also, controversy is heating up, especially over the frequent proposals that tuitions in public institutions should be raised and that students should be financed—more than in the past—through loans.

I have been asked to analyze and comment on the six recent reports. These include (in alphabetical order) reports of the Carnegie Commission, Committee for Economic Development, National Board on Graduate Education, National Commission on the Financing of Postsecondary Education, National Council of Independent Colleges and Universities, and the Special Task Force of HEW chaired by Frank Newman.[1]

Reprinted from *Financing Higher Education: The Current State of the Debate*. Washington, D.C. Association of American Colleges, 1974, pp. 5-26, and reproduced by permission of the publisher and author.

[1] Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw-Hill Book Company, June 1973). Committee for Economic Development, *The Management and Financing of Colleges* (New York: CED, October 1973). National Board on Graduate Education (sponsored by Conference Board of Associated Research Councils), *Policy Alternatives toward Graduate Education*. (Washington, 1974). National Commission on the Financing of Postsecondary Education, *Financing Postsecondary Education in the Last Quarter of the Twentieth Century* (Washington: U.S. Government Printing Office, 1974).

My plan is to deal with the subject in three stages. First, to provide some historical perspective on how we got where we now are; then to present the major themes and broad implications of the six reports (being careful not to get mired down in technical details), and finally to present a critique of these reports.

I

Higher Educational Finance before World War II

World War II was a kind of watershed in the financing of higher education. Before the war, the theory and practice of higher educational finance had been quite settled.

The finance of students was primarily a responsibility of parents, and of students themselves through part-time earnings. Scholarships and loans were in use but were not prevalent or major forms of student support. Working one's way through college was the accepted and respected mode of student aid.

The finance of institutions, on the other hand, was largely a responsibility of "society" as represented by state government, churches and private donors. The federal government was involved only marginally and corporations almost not at all. An accepted pre-war dogma, scarcely debated, was that tuitions should be low to encourage attendance of young men and women of all social classes. Tuitions and fees in state institutions averaged about $100 a year or a little more. Private tuitions were about 2 1/2 or 3 times public tuitions—as compared with 5 times today.

II

Post-war Changes

Immediately after World War II, the GI Bill brought new vigor to higher education and opened up opportunities to young men and women far beyond previous expectations. But the GI Bill was shortlived. When the GIs left college, around 1950, higher education lapsed back into a period of poverty, and remained in a depressed state until the late 1950s. But after

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National Council of Independent Colleges and Universities, *Financing of Postsecondary Education with Special Reference to the Private Sector* (unpublished preliminary report), copies available on request from the Council, 1818 R St., NW, Washington, D.C. 20009. Special Task Force to the Secretary of HEW, *National Policy and Higher Education* (Newman Report) (Washington: Department of HEW, October 1963).

1957, when the nation was aroused by the launching of Sputnik, some spectacular changes occurred.

1. Grants to students, based on a systematic means test rather than on scholarship, became common, especially among the private colleges.

2. The use of loans in financing students was expanded sharply.

3. With the increasing number of married students, a legacy of the GI period, spouses became a major source of support for students.

4. The federal government became a growing supplier of funds for both grants and loans to students.

5. The federal government became an important contributor to institutions through a wide array of grants, contracts and loans designated chiefly for research, training and buildings.

6. Philanthropic foundations grew in numbers and resources.

7. Profit-making corporations became patrons of higher education.

8. Colleges and universities became more aggressive and professional in their fund raising.

9. State and local governments greatly increased their appropriations to public institutions; some established state scholarship programs and some made grants to private institutions.

10. Tuitions were raised year after year by both public and private institutions. The percentage increase in tuitions averaged about 5 percent a year for public and 7.5 percent for private institutions. Educators were amazed that these tuition increases called forth so little reaction from patrons.

The chief effect of these changes was to infuse vast amounts of new money into higher education, some for institutional support and some for student aid. With this new money, the dramatic growth of enrollments was possible. Surprisingly, however, these changes did not alter very much the pattern of institutional support. The shares of total income derived from tuitions, state appropriations, and other sources remained remarkably constant over the decade following Sputnik. For example, in public institutions, tuition income as a percentage of total educational funds, increased from 15 percent in 1957-8 to 17 percent in 1967-8, and for private institutions from 55 percent to 57 percent. Moreover, the rise in expenditures per student just about kept pace with per capita disposable income. In other words, the

standard of living in colleges and universities was rising at about the same rate as the standard of living in families.

III

Proposals for Federal Institutional Grants

By 1967, when the process of rapid growth and expansion had continued for just about a decade, financial strain began to set in. Institutions had pushed existing sources of revenue as hard as they could, but enrollments were still growing and costs were still rising. So educators began to cast about for still more revenue. The attention turned to the possibility of institutional grants from the federal government. The American Council on Education,[1] the Association of American Colleges,[2] the Association of American Universities,[3] and the National Association of State Universities and Land-Grant Colleges,[4] all went on record in 1967 or 1968 in favor of institutional grants. The common plea was to retain all the then existing forms of federal aid and add institutional grants—the new money to be distributed according to formulas yet to be devised.

The proposal for federal institutional grants was based on three tacit assumptions. One was that expenditures would continue to rise rapidly because of growing enrollments and rising costs. Another was that, though federal categorical aid was desirable, it did little to meet the basic operating costs of institutions and unrestricted funds were needed as well. The third assumption was that a steady rise of tuitions would be on principle socially harmful.

The search then began for suitable formulas that might be used to distribute federal institutional aid. Many were proposed. Even I devised such a formula, and the booklet in which it was contained[5] became one of the very

[1] *The Federal Investment in Higher Education*, American Council on Education, 1967; *Federal Programs for Higher Education*, American Council on Education, 1969.

[2] *Federal Institutional Grants for Instructional Purposes*, Association of American Colleges, 1968.

[3] *The Federal Financing of Higher Education*, The Association of American Universities, 1968.

[4] NASULGC strongly supported the Miller bill.

[5] *The Finance of Higher Education*, Carnegie Commission on Higher Education, 1968.

first publications of the Carnegie Commission. Indeed, the commission gave considerable attention in its early years to federal institutional aid.[7]

The conclusion I draw from this history is that as late as four or five years ago the academic community was overwhelmingly in favor of low tuitions, was alarmed at the prospect of having to raise tuitions year after year in the future, and saw general institutional support from the federal government as the best answer.

IV

New Approaches

But around 1968, during the discussion of institutional grants, some new concepts were beginning to get a hearing. One of these was that the major goal of new federal programs should be to encourage needy and lower-middle-income students to attend college. It was argued that federal aid should be primarily in the form of grants and loans to low-income students and that institutional aid should be in the form of added cost-of-education allowances to assist those institutions accepting needy students. This was the burden of the Rivlin report which was prepared in the last months of the Johnson administration and issued in January of 1969.[8] This idea eventually became the underlying theme of the Higher Education Amendments of 1972.

In the early 1970s, other more radical lines of thought were emerging. Some were advanced by those who had become disillusioned with higher education because of campus unrest, some by public officials who wanted to bring costs under control, and some by economists who presented technical arguments. In general, with variations in detail, the critics converged on three proposals.

The first proposal was that higher education could and should be more efficient. The seemingly endless escalation of costs should be slowed down. Some of the critics argued that higher education was becoming over-expanded—that it was trying to educate more people than could benefit. Some argued that higher education had gone out of balance in that too

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[7] Donald A. Wolk, *Alternative Methods of Federal Funding for Higher Education*, Carnegie Commission on Higher Education, 1968; *Institutional Aid: Federal Support to Colleges and Universities*, 1972; *Quality and Equality: New Levels of Federal Responsibility for Higher Education*, 1968.

[8] "Toward a Long-range Plan for Federal Financial Support for Higher Education: A Report to the President," (Washington: Department of HEW, January 1969).

much was being spent on graduate study, research and esoteric specialties, and not enough on undergraduate education. And some argued that institutional efficiency could be improved through mechanical technology, better use of building space, new academic calendars, larger classes, etc. From this line of argument arose the demand for cost analysis and measurement, program budgeting, and accountability—all of which are lively topics today.

A second proposal that came on strongly after 1970 was that the support of public colleges and universities should come relatively less from taxes. The high tuition idea was adopted by some on the pragmatic ground that additional funds were needed and that tuitions were the only potential source. It was argued that because of the turn of public opinion against the academic world, the intensified competition for existing tax monies, and the political resistance to tax increases, the old sources could no longer be expanded.

But the idea of high tuitions was advocated by others, including many economists, on principle. Some argued that both equity and efficiency would be promoted if the higher education "industry" were operated without public subsidy along the lines of the free market, with tuitions covering the full cost of instruction.[1] Equity would then be assured because those benefiting would pay for services received and well-off families would no longer get unneeded subsidies. Efficiency would be assured because only those educational services would be produced which student-consumers thought worth paying for. To attract paying customers, institutions would be motivated to offer excellent education, and to meet market competition they would have to be efficient. Charles Carter, the distinguished economist and vice-chancellor of the University of Lancaster, derisively called this scheme the "jam factory" theory of higher education.

Other economists, taking a less radical approach, advocated more moderate increases in tuitions. Their aim was to capture some of the subsidies now being received by high-income families and use them to support low-income students and to augment institutional budgets. This is the basic philosophy underlying several of the recent reports we are considering today.

A third new idea was that long-term loans of substantial amount should be used regularly for the financing of students. Almost everyone agreed that a generous system of student aid would be essential to keep access and opportunity open. Some argued that the aid should be wholly or largely in

[1] Milton Friedman, "The Higher Schooling in America," *The Public Interest*, Spring 1968, pp. 108-112.

the form of grants financed mainly from public funds.[1] But many others thought long-term loans should be a major source of financing for low- and middle-income students. Only through a system of loans combined with high tuitions would government be relieved significantly of the cost of higher education and new sources of funds tapped. And so a great deal of effort was devoted to inventing long-term student loan schemes that would be tolerable to students, that would be politically and morally acceptable, and that would give relief to the public exchequer. To date, the nation is still a long way from an adequate loan program as defined by advocates of heavy borrowing, but efforts continue.

The approach to higher educational finance through high tuitions and student loans was seen to have an important collateral effect. It would narrow (or even close) the tuition gap between public and private institutions and help to correct the unfavorable competitive position of the private sector. Thus, educators in the private sector were occasionally tempted to advocate high *public* tuitions and student aid through loans. However, on the whole, educators in the private sector were quite restrained in their political activities especially as many of them sincerely favored low public tuitions.

To conclude, the basic issues in the recent debate are clearly those relating to efficiency, levels of tuition, long-term student loans, and the competitive position of the private sector. However, several other secondary issues have emerged. These are:

1. Should student aid, whether in the form of grants or loans, be fully portable so that students would bring their aid, and possibly also cost-of-education allowances, to the institutions of their choice? Or should the aid be dispensed by the institutions?

2. What will be the effects of the recent lowering to eighteen of the age at which young people reach the majority? How will it affect the administration of a means test in the allotment of student aid? And how will it affect the definition of in-state residence?

3. Should tax incentives for charitable giving, and property tax exemptions of colleges and universities, be curtailed, held steady, or expanded?

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[1] W. Lee Hansen and Burton A. Weisbrod, "A New Approach to Higher Education Finance," in M. D. Orwig (Ed.), *Financing Higher Education: Alternatives for the Federal Government*, (Iowa City: The American College Testing Program, 1971), pp. 117-142.

4 How should the growing programs of adult education be financed with respect to both institutional costs and student support?

V

The Recent Reports

So much for the historical background. Let me now turn to the six recent reports, all of which are in my judgment worthy contributions to the discussion of higher educational finance. I should warn you that not all of the reports have been published and I have not had access to the last revisions. If I am guilty of misinterpretation, I hope that members of the discussion panel will set me straight.

All are remarkably restrained and moderate in their recommendations. In spirit, they are incremental. For example, no one of them argues for zero tuitions or for full-cost pricing or any other sharp break from past practice. Some recommend that even the moderate changes proposed be phased in over a period of years. Nevertheless, these documents do point in a certain direction. Indeed, they point in the direction that the system is already moving. If they influence policy, they will hasten trends that are already evident.

I shall not summarize the reports one by one, or outline them in great detail. And I shall not quibble over statistical discrepancies and ambiguities, of which there are some. I shall try to concentrate on the major issues which are few in number and conceptually quite simple. The first is efficiency.

A. *Efficiency*. Two of the documents stressed institutional efficiency. I refer to the reports of CED and the National Commission. The Carnegie group did not dwell on efficiency, only because one of their earlier reports was specifically directed toward that subject.[1] The CED report contained an extended discussion on strengthening internal governance and management as a way to improve efficiency. I found this section of the CED report rather homiletical in tone and not very fresh or provocative. I appreciated, however, its sensitive concern for academic considerations in dealing with matters such as faculty tenure, faculty and student participation in governance, and mechanical aids to teaching. This was no crude "managerial" approach to higher education.

The National Commission emphasized the controversial area of cost analysis and unit cost measurement. These concepts were presented as

[1] *The More Effective Use of Resources: An Imperative for Higher Education*. (New York: McGraw-Hill Book Company, 1972).

keys to both efficiency and accountability. The commission had been instructed in its enabling legislation to develop national uniform standards for calculating costs per student. The implication of the directive was clear. In the future, institutions would be expected to compute their costs for purposes of internal management and report their costs for purposes of assessing overall institutional efficiency and perhaps even as a condition of receiving federal aid. The CED group also advocated cost analysis.

The prospect of mandatory cost analysis and cost reporting has been worrisome to many educators. Some of the worry stems from the belief that colleges and universities are unified entities producing many products, and that joint costs cannot readily be allocated to particular outputs. More of the worry stems from a deep concern that measurement of cost will be grossly misleading unless there is corresponding qualitative assessment of the product. So, it is feared—with ample justification, I think—that spurious cost figures may be used by funding agencies to beat down the quality of instruction wherever it rises above the average.

The question of cost analysis was also considered by the National Board on Graduate Education. The problem of allocating costs is especially vexing in complex universities with graduate programs. The report of the graduate group contained an illuminating essay on cost analysis by Professor Frederick E. Balderston of Berkeley. He pointed out that in principle, even if technical problems could be overcome, no single uniform cost figure would be appropriate for all kinds of decisions. Different cost concepts would be needed for different purposes.

The National Commission during its deliberations heard all of these worries and concerns about costs many times and took cognizance of them. But in the end they recommended that cost analysis be pursued as a tool for improving efficiency in higher education.

My own view of the cost question is that educators must be increasingly concerned about cost analysis and should be developing more meaningful cost data. They must accept the fact that public concern about costs is legitimate and desirable. The past habit of measuring quality in terms of inputs instead of outputs, which implies that greater expenditures invariably lead to higher quality, is no longer acceptable. What must be done is to find better measures not only of cost but also of output. Neither of these concepts, standing alone, tells us anything about efficiency. Efficiency is measured as a ratio between two variables: cost and output. Meanwhile, we educators must do our best to achieve public understanding of certain obvious facts: (1) meaningful cost measurements are technically difficult, (2) output measurements are vastly more difficult, and (3) meaningful measurements of efficiency will never be wholly quantifiable and will always be partly judgmental.

I should like to offer one other comment on institutional efficiency. This is that concerned outsiders—such as businessmen and legislators—are prone to underrate the present efficiency of higher education and to exaggerate the gains that are feasible without unwarranted sacrifice of quality. I felt that the CED report was by implication unrealistic in its estimate of the amount of gain likely to be achieved through better management. Critics sometimes forget that higher education has, on whole, long been a depressed industry and that it has recently been squeezed through a pretty tight wringer. There is not much fat. It is true that some institutions might make one-time cuts in cost per student of as much as five percent without serious damage to quality. Some might even manage to do this several years in a row. But no institution can do it year after year. As suggested in the Carnegie Commission report, *The More Effective Use of Resources* (1972), a reasonable goal for efficiency-improvement is to cut the annual increase in real cost (after allowance for inflation) by one percentage point. Instead of increases in real costs as in the past of three percent a year, an institution might, with sustained effort, reduce the rate of increase to two percent a year.[1] Such a saving is well worth striving for, but it will not solve many of the financial problems of higher education.

B. *Tuitions and Student Aid.* The central financial recommendation of several of the reports is that the tuitions of public institutions should be gradually raised, *provided* adequate aid for low- and middle-income students is made available. That proviso is critical.

The Carnegie Commission proposed a gradual and very modest increase of public tuitions over a ten-year period to one-third of educational costs (with an exception for community colleges) and a slowing of the rise in private tuitions to no more than the growth of per capita disposable income. On the whole, the Carnegie report is quite moderate and generally favors continuation of the present system of finance rather than abrupt change. The CED report made a much more drastic recommendation that public tuitions be raised over five years (ten years in the case of community colleges) to half of educational costs. The CED report incidentally recommended that in the accounting for colleges and universities depreciation on capital assets should be included in the costs. The net of their proposal, then, is that tuitions might rise to perhaps 55 percent of instructional costs as conventionally defined.

The National Commission did not make specific recommendations for change in the financing of higher education, but rather analyzed various alternative proposals from the standpoint of their costs and social effects.

[1] See also Howard R. Bowen, "Can Higher Education Become More Efficient?" *Educational Record*, Summer 1972, pp. 199-200.

The commission report, nevertheless, agrees with the CED and Carnegie views that student aid based on a means test is a more effective way of increasing access than the same expenditures used to lower tuitions. The task force report of the National Council of Independent Colleges and Universities also analyzes alternatives. The favored one would involve a moderate rise in public tuitions. The Newman report is not specific about financial details, but does emphasize that students rather than governments should be the vehicle for transporting funds to institutions. The implication is clear that tuitions should be raised. The Newman report may be the most radical of all in its financial implications.

Collectively, these reports offer abundant testimony from able and public-spirited groups that tuitions should be raised in the public sector of higher education. And all of the reports state or imply that a collateral benefit would be to narrow the tuition gap between the public and private sectors.

The tuition proposals of the Carnegie Commission contained one notable feature, namely, that tuitions should be graduated by level of education—lowest for freshmen and sophomores, next highest for juniors and seniors, and highest for graduate and professional students. The ratio for the three groups would be about 1 to 1.5 to 3. They proposed this kind of graduation for both public and private institutions. The purpose, of course, would be to keep opportunity open at the beginning of college careers, and to impose high tuitions and heavy borrowing after students had become well established. It is a way of increasing tuitions without raising the barriers at entry to college. This proposal raises some philosophical questions about the allocations of expenditures among the various levels of instruction and about the unity of the university. And it raises practical questions about potential effects on attrition with stepped-up tuition after 2 years or 4 years, and about competitive relationships between the private and public sector. If the plan applied to both private and public institutions as proposed, it could greatly widen the dollar gap between private and public tuitions for advanced students.

If there is one thing on which all elements of higher education are agreed, it is that opportunity should be opened and encouragement given to low-income students. All of the reports agree specifically or by implication that grants to low-income students should be expanded. For example, the Carnegie Commission recommended full funding of the Basic Opportunity Grants. The National Board on Graduate Education recommended three types of graduate fellowships to be granted in modest numbers: those based on merit, those designed to meet specific manpower requirements of national importance, and those designed for minority groups and women.

The CED and Carnegie reports were also explicit in recommending extension of the student loan system. They would emphasize long-term

loans of large amount with income contingent features. The reports recognized, however, that the nation is a long way from overcoming the problems of technique and of capital supply needed for the massive loan system they envision. The report of the National Board on Graduate Education was especially articulate on the danger of cutting out fellowships for graduate students on the basis of a proposed loan system which simply does not yet exist.

The reports suggest that student aid, including both grants and loans, should be portable in the sense that students would receive their allotments independently of the institutions they chose to attend. This portability would presumably widen student choice of institutions and would motivate colleges and universities to cater to the needs and wishes of students. Portable student aid would be especially potent if accompanied by cost-of-education allowances as is frequently suggested. The Newman report especially emphasizes portability of student aid. In my judgment, the subject of portability raises some serious questions about institutional autonomy and has not yet received the attention it deserves. While student influence over institutions can be recommended within reason, there is something also to be said for the integrity, inner-direction and academic freedom of institutions. In the current debate these considerations tend to be ignored. The Newman report was eloquent on academic freedom and institutional autonomy but saw the state as the chief threat and students with portable funds as the liberators. I am not so sure the matter is that simple.

C. *Private Institutions.* Let me now consider the special problems of private institutions. All of the groups were concerned about the future strength and health of the private sector. All expressed appreciation of the contributions made by private institutions to the nation, and indeed to public higher education as well. However, most of the reports dealt with the private sector in a rather incidental fashion. Both the CED and Carnegie groups recommended state aid to private institutions. The CED report was quite explicit in recommending general institutional grants to both public and private institutions based on enrollment, the amount per student to be adjusted by types of institution according to instructional costs and amounts of income from private sources. The Carnegie group recommended state aid in the form of tuition offsets—capitation grants to institutions or grants to students attending private institutions. The Carnegie group noted favorably the experimentation with programs of this type now going on in many states, and implied that such programs should multiply and expand. The Newman report, with its emphasis on student aid, suggested that needy students attending private institutions should receive extra grants to help defray high tuitions. The underlying idea in all these reports was to find a way to narrow the dollar tuition gap.

The CED report strongly emphasized the importance of charitable giving to higher education and urged (p. 75) that "existing tax incentives for voluntary support of higher education be maintained and . . . expanded. . . ." In my judgment, this is a recommendation of great importance and should not be passed over lightly.

As one would expect, the report of the National Council of Independent Colleges and Universities was devoted primarily to the private sector. It recounted the importance of private institutions to American society, explained the mounting financial problems, pointed to the importance of strengthening tax incentives for charitable giving, and then presented several financial options involving varying amounts of aid to needy students. One of these options was to raise public tuitions. Another was to establish a "tuition-offset plan" under which "the state or federal government would pay for each student enrolled in a private institution an amount equal to part or all of the difference between tuitions and average educational cost in public institutions." The payment could be made directly to the student or to the institutions. Another proposal was a compromise similar to the CED/Carnegie plans, in which public tuitions would be raised moderately and partial tuition-offsets would be paid to the private sector. In addition, the report suggested direct institutional grants from the state or federal government for capital purposes.

The NCICU report alluded to, but did not develop, an issue that was overlooked in the other reports: namely, that adequate aid to private education may require federal as well as state support. Both the CED and Carnegie reports had indicated that support of private institutions should be a responsibility of the states. The problem with this solution is that many private institutions are national or regional in outreach and draw only a fraction of their students from the home state. But programs of state aid are usually confined to in-state institutions and in-state students. It would be possible, of course, for states to make grants with respect to state residents wherever they attend college, and a few states have done this. However, a truly national system of aid to private higher education probably needs the intervention of the federal government either by directly sponsoring the program or by providing matching grants to the states.

D. *Graduate Education and Research.* Many discussions of higher educational finance are confined to undergraduate instruction. The important functions of graduate and professional education, research and public service are virtually ignored. Of the reports under consideration, only three dealt with this subject—National Board on Graduate Education, Carnegie and Newman.

The report of the National Board noted the rapid disappearance of federal fellowship and training programs, the leveling-off of federal funds for

research (especially for basic research), the unpredictable fluctuations of federal support, federal preoccupation with transient categorical programs, and federal irresponsibility for the welfare and continuity of institutions. The board called for restoration of some fellowships and traineeships and the development of practicable and adequate student loan programs. They raised many issues regarding the future of basic research and its role in the advancement of our culture and our economy. They recommended institutional aid for graduate study by funding relevant sections of the Higher Education Amendments of 1972, and they cautioned against excessive reliance on manpower forecasts as a basis for educational planning.

The Carnegie Commission, as part of its step-tuition program, advocated tuitions three times as high for post-baccalaureate students as for freshmen and sophomores. The commission was, however, somewhat ambiguous about this proposal as it might affect students seeking the PhD. They also recommended that the federal government assume responsibility for graduate and professional education and research and significantly increase its support "if the nation is to remain in the vanguard of scientific and technological developments."[1] In a previous report, the commission had recommended a massive program of federal fellowships for doctoral candidates, together with cost-of-education supplements of $5,000 each.[2] These fellowships would be awarded to students already in course and would not be portable. And in another previous publication, the Carnegie Commission had recommended that federal grants for university-based research be increased annually in proportion to the growth of GNP.[3] The Newman group, on the other hand, recommended a massive program of portable graduate fellowships with companion grants over and above tuition of $2,000 to the institutions selected by the students.

E. *Recurring and Lifelong Education.* The Newman and Carnegie reports pointed to a current blind-spot in the financing of higher education, namely, that no adequate provision is being made to finance recurring or lifelong education or the students (mostly adults) involved in such education. No solutions were offered; the problem was merely identified.

F. *Summary of the Reports.* Let me now recapitulate. Waiving many variations, details and nuances, the six reports are saying:

1. The efficiency of higher education should be improved.

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[1] *Higher Education: Who Pays? Who Benefits? Who Should Pay?*, op. cit., p. 107.

[2] *Institutional Aid*, (New York: McGraw-Hill Book Company, 1972), p. 83.

[3] *Quality and Equality*, (New York: McGraw-Hill Book Company).

2. Tuitions of public institutions should be raised to perhaps a third or even half of instructional costs.

3. Access should be available to all qualified students. Student aid should be extended in the form of grants to low-income students and loans to low and middle-income students.

4. Loans should become a more prominent part of the student aid program. Practical long-term loan programs should be invented and adequate capital to fund them should be raised.

5. Student aid should be portable.

6. Private institutions should be assisted by any of several types of tuition-offsets which would have the effect of narrowing the tuition gap, and possibly by institutional grants.

7. Tax incentives for charitable giving should be strengthened.

8. Federal fellowships and traineeships for graduate students should be restored at least in part, and basic research should be supported at rising levels.

9. Ways of financing lifelong and recurring education should be developed.

Of these recommendations, those pertaining to tuitions and student loans have, of course, attracted the most attention and objection. For example, in their 1973 annual meetings, both the American Association of State Colleges and Universities and the National Association of State Universities and Land-Grant Colleges strongly objected to the tuition proposals and reaffirmed the historic American policy of low tuitions and minimal use of student loans. The Carnegie and CED reports also evoked considerable adverse editorial reaction from newspapers across the country including such leading papers as *The New York Times*, *The Washington Post*, *The Christian Science Monitor*, and *The Minneapolis Star*. Labor unions as well indicated opposition. In the remainder of my remarks, I shall try to share with you my own views on the recommendations contained in these reports.

VI

Concluding Comments

As I have indicated, the six reports are all moderate and gradual in spirit. If any one were adopted, higher education would not be instantly or radically

transformed either for the better or for the worse. Indeed, tuitions in public institutions have been rising so rapidly in the last two years that the recommendations of the Carnegie Commission are already becoming a reality. But these reports do try to set a new course. That course is toward higher tuitions, large grants based on means tests for millions of persons, and possibly heavy indebtedness for many. What are the consequences of this line of development in the long run? I must confess to some uneasiness.

For more than a century in this country, efforts have been made to encourage young people of all classes to go to college. Higher education has been regarded both as a form of personal opportunity and as a source of major benefit to society. The accepted view—seldom challenged as late as 3 to 4 years ago—has been that higher education ought to be open to all on the most generous terms. This was the historic idea underlying the founding of hundreds of private colleges, the land-grant movement, the establishment of public urban institutions, the GI Bill and the community college movement. Why, at this stage in our history, when we still have the task of bringing millions of young people—many from ethnic minorities—into the main stream of American life, and when there is so much educational work to be done for all classes, including adults, why are we striking out in a new direction? Have we been misguided over the years and are we just now realizing our errors? Or are we about to commit a colossal blunder?

The financing of higher education is not merely a matter of technique to be decided by experts: it is a matter of educational and social values. My misgivings have to do with values.

A. *The Widening and Deepening of Learning.* First among my values is the widening of learning for persons of all ages, both sexes, and all ethnic and economic backgrounds, and at the same time the deepening of learning for everyone. By learning I mean humanistic, scientific, and vocational education of many varieties. Such learning is a powerful means. It is the base of our culture, the foundation of our economy, a source of good citizenship and civic responsibility, a way toward the solution of social problems, and a major influence toward humanizing individuals. Learning is also an end in itself. It is fun to learn and good to know. The great spread of learning that has occurred in the past century is far from complete. Our ignorance overwhelms our knowledge and our folly vastly exceeds our wisdom.

Learning occurs in many ways, by no means all of it through educational institutions. But institutions have an indispensable role in facilitating the process, not only for millions of persons of ages 18-22 but for persons of all ages. Formal education is destined to be a recurring lifelong experience. The traditionally sharp separation of life into three stages—education in

youth, work in middle years, and retirement in old age—is likely to be radically altered.

Under these conditions who can say that the philosophy of the Morrill ACT or of the community college movement is passé? Who can say that higher education should not continue to be available at low cost to ensure ready access and encouragement for persons of all ages and conditions? Who can argue that high tuitions, means tests, and long-term loans are really conducive to the widening and deepening of learning?[11]

B. *Academic Freedom.* Another cherished value, which is virtually unmentioned in the recent reports on finance, is academic freedom. It consists in part of the right and duty of individual professors to seek and speak the truth. More broadly, it includes significant inner direction for colleges and universities as institutions. It means that the academic community should have an influential voice—based on professional judgment—in deciding what to teach, how to teach, what academic standards to maintain, what lines of research and scholarship to pursue, what to publish, and whom to employ as professors. Academic freedom in this sense is always in jeopardy but in the past decade has been subject to unprecedented erosion from growing political influence and increasing reliance on funds earmarked for purposes prescribed from outside.

Academic freedom calls for a system of finance with diverse sources including substantial funds that are not earmarked and for which institutions are not too beholden. The proposal to raise tuitions might tend to diversify the sources of support in public institutions and enhance academic freedom. However, I find no evidence that while tuitions are being raised states are relaxing their grip on their colleges and universities. Quite the opposite. On the other hand, the proposal would move higher education along the path toward the market price or "jam factory" system of finance. If carried too far, it would impair the inner integrity of colleges and universities as institutions and convert them into enterprises responsive only to the market.

C. *Means Tests and Debt.* Another of my values, this time a negative one, is distaste for the means test and for loading heavy indebtedness upon young people. I recognize the importance of grants based on need, and loans, in a balanced system of student aid. It is when large amounts of money are involved that I become apprehensive. The means test is essentially

[11] It is sometimes said that if higher education is made too freely available, too many people will attend or people will stay too long. In the interests of learning, I am willing to risk this result, especially because there are effective brakes on overutilization. These are the hard work involved in formal learning, the forgone income and the sacrifice of time for recreation and other pursuits.

undemocratic, bureaucratic, arbitrary and open to evasion. Moreover, it may be legally unworkable if young people, who attain their majority at age 18, become emancipated from their parents.

For our society to require its young people to go heavily into debt represents a less than generous attitude toward our youth. Even from the economic point of view, long-term loans make little sense. The social cost of providing and receiving an education must be borne at the time the education occurs. It cannot be transferred to the future. The repayment of debt is only a transfer payment, having little underlying economic significance except an unpredictable effect on the distribution of income. It would seem more businesslike to finance the costs when they are incurred rather than to go through the red tape of making and repaying loans. Still another difficulty with heavy loans is unfairness as between generations. Those of us of the present middle and older generations received our education without any heavy indebtedness. We are in effect saying to the next generation, "We got ours, now that your turn has come, you can get your education on the cuff."

What I am suggesting is not elimination of all grants based on a means test or of all student loans. I am counseling that we should go slowly in raising tuitions to a level that will demand heavy use of these devices. I think this will put an unbearable and unnecessary strain both on higher education and on our society.

D. *Equity.* Still another value is equity. The largest single cost of higher education is the time and forgone income of students. This, together with the incidental expenses of higher education (not counting board and room), place at least two-thirds of the total cost on the student and his family. Institutional costs are on the order of only one-third of the total. In view of the fact that education yields substantial social benefits as well as private benefits to students, it would seem that a major portion of the institutional costs might equitably be borne by society, that is, government and philanthropy.[1] This was a conclusion of the Carnegie Commission and largely explains the moderation of their recommendations.[2] Incidentally, the Carnegie Commission is one of the few groups which have openly acknowledged the issues of forgone income and social benefits of higher education.

E. *Preserving the Private Sector.* Another of my values is preserving the dual private-public system of higher education. This, of course, requires strengthening of the private sector, which in my judgment is in great jeopardy. The private sector is important because it contributes diversity

[1] *Higher Education: Who Pays? Who Benefits? Who Should Pay?* op. cit., pp. 49-53, 71-87.

and leadership. Through the diversity it contributes, the higher educational system serves the needs of more people and offers more choices than could a purely public system. Through the leadership given by many private institutions, the nature of academic excellence is demonstrated, academic standards are set, the ideal of liberal learning is kept alive and flourishing, a living example of academic freedom is provided, and a fruitful source of innovation and experiment is maintained. The example, the mere presence of the private sector, is a factor in the freedom and advancement of the public sector and serves as a brake on onerous public control. I would vigorously deny that private institutions have a monopoly on diversity or leadership, but I would argue with equal vigor that the whole higher educational system is stronger for its duality.

There is no doubt that raising the tuitions of public institutions would help the private colleges and universities. But I do not believe that such tuition increases are the best way of helping them. For survival, the private institutions must first of all live up to the ideals of diversity and leadership. They must be useful to society in special and demonstrable ways. Second, they need a system of finance that will narrow the tuition gap and at the same time will preserve their privacy. This system of finance has already been invented and tried out. It now needs perfecting and developing. It consists of tuition-offsets from government. The tuition-offsets may take the form of grants to private institutions or they may take the form of grants to students attending private institutions. More than thirty states are experimenting with various forms of tuition offsets and more are considering them. These programs are quite varied. They include tuition scholarships with amounts adjusted to need, grants to disadvantaged students based on need, grants of fixed amount without a means test to students attending private colleges, grants of fixed amount to private institutions for each student enrolled, etc. There is urgent need for further development of these plans and more realistic funding. There is need also for federal intervention, partly to encourage the states to establish adequate plans and partly to bring about reciprocity among the states so that students may be covered who attend private (or public) colleges located outside their home states.

Another important part of the financial solution for the private sector is to strengthen the incentives for charitable giving to education. This would include retaining present federal and state tax-incentives and adding something comparable to the plan, proposed by Alan Pifer,[1] which would

[1] "Revitalizing the Charitable Deduction," in *Annual Report*, Carnegie Corporation of New York, 1972, 3-12. Under this proposal, every taxpayer, whether or not he itemizes his deductions, would either be given a 50 percent tax credit for his charitable gifts or allowed to file under the present system, whichever would benefit him more. The Pifer plan would have the effect of expanding philanthropic giving by increasing incentives in the middle- and lower-income brackets and at the same time of improving the equity of the tax system.

increase both the effectiveness and the equity of income tax deductions for charitable giving. There is need also, for liberalizing property tax exemptions for private institutions. The present trend in many states is to narrow these exemptions.

With these options open, I see no reason why it should be thought essential to the private sector that public tuitions be raised or why acrimonious controversy between the public and private sectors should be allowed to fester. Such controversy can only be harmful to the cause of higher education as a whole. This solution does require a kind of compact between the public and private sectors. The private sector is called upon to support low public tuitions, and the public sector to support tuition offsets.

F. *Adequacy of Finance.* Another value is adequacy of finance. The several reports we have been discussing have rightly given this high priority. Some have taken as a basic assumption that society is not going to sustain higher education adequately under traditional methods of finance. They have asked how limited public and philanthropic funds could be "targeted" so that they could be stretched as far as possible. They have suggested that, by raising tuitions and providing long-term loans, the middle- and upper-income groups could be made to pay for more of their own education. And the funds thus acquired could be used for student aid to the poor and for institutional support. The plan is a not-too-subtle scheme to take from the middle class and give to the poor.

I would raise three questions. First, is the assumption valid that funds from conventional sources will fall short? I am not so sure it is valid, at least for the long run. More about that in a moment. Second, if tuitions are raised and loans expanded will government and donors correspondingly reduce their effort? I think this a distinct likelihood. Third, is there a risk that the recommended high tuition will *not* be accompanied by the adequate program of student aid which everyone says must be part of the package? I think the risk is high as indicated by the fact that aid is far from adequate even for present levels of tuition.

In short, I am a skeptic about high-tuition proposals from the point of view of adequacy. I think higher education might do better if the basic financial responsibility remained clearly with government and philanthropy. However, I cannot deny that to find adequate resources is a serious problem. The several reports have faced this problem candidly. I do not assert that they are dead wrong. I only express doubt.

G. *Conclusion.* I shall conclude on a note of optimism—not because every scenario should have a happy ending—but because I think there is a basis for a genuinely hopeful outlook for the long run.

I believe that higher education is not doomed to be a sick and depressed industry, lapsing into a position of ineffectual poverty. I believe it will, or can, be a buoyant growth industry. I have pointed out the vast amount of educational work to be done if we are to widen and deepen education as we should do. In my opinion, the time will soon come when we can get on with this task on an unprecedented scale. Our economy is clearly reaching the end of its insane preoccupation with producing physical things at the cost of plundering our national resources, fouling our environment and cluttering our lives. As consumers, we shall be shifting our emphasis more and more to human services that enrich our lives and do not pollute. As producers, we shall be changing our emphasis, in the development of productive powers, from physical capital to human abilities. Higher education will obviously have a critical role. It is a purveyor of human services that are highly valued in their own right, and it is a basic instrument for investment in human abilities.

With this outlook, we should not take for granted that the fate of higher education is retrenchment and impoverishment. The time is ripe for the planning of wholly new levels of achievement in higher education. The financial policy that fits this future is one that will activate the widening and deepening of higher education. It is a policy of moderation—moderate public tuitions, moderate use of grants based on means tests, moderate use of loans for student aid, partial tuition-offsets to keep private higher education competitive, and positive incentives for private philanthropy.

I suspect that current thinking about higher educational finance, as exemplified in the six reports, grows out of depression mentality and a short-range perspective. In my judgment, these reports have not taken account of the enormous opportunities that lie ahead as our society shifts from the production of things to the provision of services, and to the building of a great culture. Nor have they really faced a future in which education may be truly open to persons of all ages and conditions, in which education would be rationed on the basis of desire to learn and achievement in learning—not by tuitions, means tests and willingness to go into debt.

If we are concerned about the possibility that upper-income families may receive subsidies, let us deal with that problem through the tax system, by requiring everyone to pay a fair share of the general tax burden, not by trying to convert the financing of higher education into a device for redistributing income.

What we now need is still another study group who will break away from depression mentality and short-term considerations, who will explore the vast educational horizons of the learning society, and who will produce a financial plan commensurate with the educational work to be done.

FOREWORD

Roger W. Heyns

The question of how the costs of postsecondary education should be shared among various public and private sources is one of the most urgent and contentious that now confronts public policy makers. Recent proposals to shift more of the cost burden to students and their families by increasing tuitions at public institutions and, at the same time, channeling financial aid directly to students have aroused concern and controversy both inside and outside the academic world. On January 28, 1974, the American Council on Education released a policy statement setting forth its position on the issue of tuition. The statement emphasizes that the complementary goals of providing equal educational opportunity and of assuring high-quality postsecondary education by maintaining institutional diversity might better be reached by keeping public tuitions low and expanding support for students and for institutions, both public and private.

"Tuition: Analysis of Recent Policy Recommendations" presents part of the rationale behind the policy statement. Carol Van Alstyne, of ACE's Policy Analysis Service, has analyzed in depth the premises that underlie the proposals to raise public tuitions. Questioning certain assumptions that most of us take on faith—for instance, about the nature, extent, and causes of the financial crisis in higher education—she concludes that many of them are erroneous or, at the very least, questionable. The analysis is documented with hard data and illuminated by the insight and expertise of an economist.

This report by Dr. Van Alstyne is a useful contribution to the process by which we in higher education will reach a voluntary collective policy on some of the major questions facing us. It is one of the first products of the Policy Analysis Service, established in 1973 as the staff arm of ACE concerned with systematic analysis of problems of high national priority. We expect that the Policy Analysis Service will inform and help those responsible for public policy bearing on postsecondary education.

TUITION:
ANALYSIS OF RECENT POLICY RECOMMENDATIONS

Carol Van Alstyne

Recent recommendations on tuition policies of national groups studying the organization and financing of postsecondary education[1] have touched off strenuous debates in federal and state legislative chambers, in academic councils, in the media, in the coffee houses near the nation's campuses, and across the dinner tables of American homes. Tuition recommendations are proposed or analyzed in three major reports:

Higher Education: Who Pays? Who Benefits? Who Should Pay? which appeared in June 1973 and is one of the final volumes of a 6-year, $6 million study effort by the Carnegie Commission on Higher Education. Later, in April 1974, the Carnegie Commission issued *Tuition* as a supplemental statement to the original report.

The Management and Financing of Colleges, published in October 1973 by the Committee on Economic Development, a group of 200 business and civic leaders. The report culminates 28 months of analysis and discussion

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I want to acknowledge the substantive contributions to this paper of colleagues at the Policy Analysis Service of the American Council on Education, particularly Cathy Henderson, Laura Kent, and Yi Tsien. A number of reviewers identified with a broad spectrum of positions on tuition issues provided extremely helpful comments on an earlier working draft of this paper. Detailed critiques were made by Philip Austin, John Blackburn, Howard Bowen, Nicholas Bruck, Allan Cartter, Robert Dorfman, Margaret Gordon, Lee Hansen, Peggy Heim, Hans Jenny, Russell Thackrey, and Joseph Pechman.

[1] Education beyond the high school is now referred to as *postsecondary education*. Much of the available information, however, relates only to collegiate or higher education in the traditional sense, and the vocabulary in the text of the paper shifts between the two terms accordingly.

[2] For complete citations, see the list of references at the end of the paper.

supported by contributions totaling several hundred thousand dollars from the CED itself and several major foundations.

Financing Postsecondary Education, the final report of the National Commission on the Financing of Postsecondary Education, released in January 1974, the product of 15 months of Commission and of professional staff work with a budget of $1.5 million.

Both the Carnegie Commission and the CED recommend that tuition be raised at low-tuition public institutions, and at the same time, that aid to low-income students be increased to help them overcome the financial barriers they face in furthering their education.

Specifically, the Carnegie Commission recommends increasing tuitions over a 10-year period until they reach one-third of educational cost at the upper-division levels, while maintaining low or no tuition for the first 2 years of postsecondary education.[1] The CED recommendations are more drastic: that tuition levels be raised to one-half of instructional costs,[2] over a 5-year period at 4-year institutions and over a 10-year period at 2-year institutions.[3] Both the Carnegie Commission and CED emphasize that their recommendations with respect to increased tuition are linked to, and inseparable from, their recommendations with respect to increased student aid.[4]

The National Commission report includes no recommendations on tuition levels; rather, it uses an analytic framework to compare several alternative financing plans, including one based on the Carnegie Commission proposals and one on the CED proposals. The analytic framework developed so far can be used to evaluate the financing plans in terms of how well they achieve goals specified by the Commission for student access, choice, and opportunity (but not the goals specified for institutional excellence, independence, or diversity).

[1] In its June 1973 report, the CCHE recommendation of low or no tuition is applied to the first 2 years of postsecondary education at both 2-year and 4-year institutions; in its April 1974 supplemental statement, the recommendation is applied only to the 2 years at a 2-year institution.

[2] The term *educational cost* (used by the CCHE) includes such functions as departmental research and public service; thus it is a somewhat broader concept than the term *instructional cost* (used by the CED), which relates specifically to teaching. In deriving these costs, the CCHE includes only current operating costs, whereas the CED includes capital costs ("a reasonable allowance for replacement of facilities").

[3] Presumably, the relation of tuition to cost is specified in terms of gross tuition, that is, before student assistance is netted out.

The current debate over tuition levels is extraordinary in that both sides—that is, those who want to increase tuition and those who want to keep tuition low—claim to be seeking exactly the same objectives, namely, to broaden educational opportunity for low-income students, to enhance the quality of postsecondary education, and to assure the vitality of the private colleges and universities, thus preserving the diversity of our higher educational system. And each side claims to be seeking these objectives in the most effective and most equitable way.

Those who advocate raising tuitions assert that such a strategy would do no more than slightly accelerate existing trends in financial support for postsecondary education. But if tuitions in relation to costs are set half again to double the present levels, if more of the cost of education is shifted to the current student generation, if students must depend significantly more on loans to finance the added costs, and if heavier reliance is placed on market mechanisms for allocating resources to and within higher education, then the ultimate result will in fact be a significant break from the tradition of low-tuition public higher education in this country.

The Premises

The Carnegie Commission and the CED reports differ materially in analytic approach, in policy emphasis, and in the substance of their respective recommendations. But a number of the arguments they make in favor of increasing tuitions are similar.

As synthesized from the two reports, there are three major arguments, each of which is used as independent grounds for increasing tuitions. The first relates to financial distress in higher education and may be summarized as follows:

1. There is widespread financial distress in higher education.

2. This distress results from the more rapid rise in costs than in income.

3. Though cost increases may be held down to some extent by improved management of educational resources, costs will continue to rise because of the labor-intensive nature and the consequent low—or at least relatively unchanging—productivity of higher education.

4. Income from public sources will not increase much, if at all, and surely not faster than the rate required to keep up with inflation or enrollment growth. Therefore, financial distress is a serious and long-term condition.

5. The *only* available source of added income is private—that is, predominantly, the students and their parents. Therefore, tuitions should be raised.

The second argument relates to equity and efficiency in the allocation of existing public support of postsecondary education:

1. Allocation of public subsidies is inequitable in that a disproportionate share goes to middle- and upper-income students.

2. Existing public subsidies are inefficient to the extent they go to middle- and upper-income students who would attend college anyway; therefore, such subsidies should be targeted to those students whose educational decisions they will affect.

What is more, this shifting of educational costs is both practical and reasonable because:

3. As incomes have increased, students and their families have become better able to pay higher tuitions.

4. The benefits of postsecondary education accrue largely to the individual rather than to society—or at least a larger share accrues to the individual than would be reflected by the current low-tuition financing patterns; therefore, as a matter of equity, a larger share of the costs—or at least a larger share of the increase in costs—should be borne by the beneficiaries, the students (and their families).

The third argument is that, collaterally, increasing tuitions would improve the postsecondary educational system:

1. If the tuition gap between the public and the private sector is reduced, private institutions—many of them now under great financial strain—will be able to regain their health and vitality; thus, the diversity of our educational system will be preserved.

2. If support for postsecondary education is increasingly channeled through students, who then carry assistance funds with them, institutions will be forced to compete in the market for students. Thus they will become more responsive to the educational needs of the students and of society.

This summary represents, I think, a fair statement of the case put forth by those who propose that tuitions should be raised to cover a larger share of educational or instructional costs. The next step is to reexamine each of the

three arguments, starting with the diagnosis of financial distress in higher education.

Financial Distress

In dealing with the question of financial distress, we should recognize at the outset the appalling fact that we do not at present have solid, agreed-upon measures of financial conditions either within individual institutions or within the system of higher education generally.* Reports of current fund surpluses or deficits are incomplete measures of the financial strength or weakness of nonprofit educational institutions because current funds are only one of several funds that make up the accounting system of such institutions. Institutions generally establish other funds to account for endowments, plant, loans and annuities, and life income. Moreover, increases in total fund balances are not accurate indicators of the funds available because some portion would have to be reinvested to assure increasing income to support increasing costs of high-quality education for larger, or even stable, numbers of students.

The Present Situation

But financial distress is no less real because we lack precise measures of it. The consequences of the distress are everywhere apparent. In many instances, the development of new educational programs has been curtailed, moratoria have been imposed on the hiring of new faculty members (indeed, in some cases, financial exigencies have forced wholesale dismissals of teaching and administrative staff), salaries have been frozen at levels that represent an erosion of purchasing power in the face of spiraling inflation, routine maintenance has been deferred, and reserves have not been set aside for future replacement of plant and equipment. In short, we have seen enough of the effects to know that a financial crunch exists; and it would be obdurate to argue that, because on balance the entire system of higher education does not show a deficit, intrasectoral distress does not rise to a level of national concern.

The National Commission report provides new information to show that public as well as private institutions have felt the impact of the financial crisis; indeed, in some cases, they have been even harder hit.

Thus, we can concur that financial distress among institutions of higher education has been serious and widespread. The question we must now ask is: What about the future? Are the financial prospects for higher education as dismal as they have been depicted? Recent analyses do not provide a solid basis for forecasting these prospects. When we take another look we may not find the outlook so bleak.

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*Advanced work to develop measures of financial condition and the impact of inflation is under way in separate studies by Hans Jenny, G. Richard Wynn, John Millett, Kent Halstead, John Minter, and James Murdock.

Shortcomings of Recent Analyses of Financial Distress

One shortcoming of recent analyses is a failure to recognize that education, as other industrial sectors, experiences *fluctuations* over time. It has fluctuated in the past; it is likely to do so in the future. This period of distress is not unique, except in severity.

Activity in the education sector is characterized by fluctuation: in enrollments, aggregate credit hours, expenditures, revenues, market values of endowments, endowment income, current fund balances, and so on. We would have a better understanding of the financing of postsecondary education if we paid more attention not only to trends but also to cycles in educational activity—cycles analogous to, and perhaps even associated with, business cycles in the general economy. Not only do the recently published studies cover relatively short periods of time, but also they make practically no attempt to relate the trends and cycles in the educational sector to trends and cycles in the general economy. Typically, the analyses deal with the period from around 1967 or 1968 to the very early 1970s, a period which corresponds roughly with the slide from a peak to a trough in the last general economic cycle. By extrapolating trends in the current fund operating deficits from a cycle peak to a trough rather than through equivalent points on the cycle, we could easily doom ourselves or, at least, we could produce an unrealistically pessimistic forecast of the financial outlook.

Another shortcoming of recent financial analyses is that they overlook the effects in the policy process of *time lags*: lags in getting hard data on where we are (or more precisely on where we have been), lags in assimilating the meaning of these data, lags in deciding what to do in response, and lags in taking action.

These lags in information, response, and policy action in higher education may add up to as much as 3, 4, or more *years*. Thus, it is conceivable that educational finance policy recommendations could be entirely out of phase with the changing realities.

Is it really true that tuitions must be raised because the students and their families are the only remaining source of increased revenues? The possibility of a policy lag phenomenon in generating tuition recommendations from trend data on revenue sources is sufficiently real and important to require that we update and then continuously monitor these trends to assure that policy actions are appropriately timed.

To assess the income prospects for colleges and universities, we should first look at the most recent data on each of the major sources of revenue interpreted in light of its historical time pattern; then attempt to develop

some understanding of the forces shaping that time pattern, and finally make at least a rudimentary projection of the future level of support from this source.

Time Patterns of Sources of Revenue

Charts and tables to illustrate and document these time patterns are arranged in sequence in the appendix.

An examination of data on the sources of revenue for higher education reveals that the aggregate income stream (Charts 1-3) is actually made up of sources (Charts 4-18) that exhibit three different kinds of time patterns, which are basically the same as those one finds in analyses of business cycles in the general economy: smooth, stable, long-term trends; cyclical swings; and unpredictable, destabilizing shifts.

We can describe each major source of financial support, grouped according to its time pattern as follows:

1. *Long-term trends.* Tuition has increased in a stable and virtually unbroken upswing over the years (Chart 4). Gross tuition—that is, tuition before student financial assistance has been netted out—has grown steadily as a share of total institutional revenues in both the public and the private sectors.

   State and local appropriations have also swung upward in a strong, and generally smooth, trend with only occasional slight dips over the entire period since the late 1940s (Chart 5). If we judge by the number of dollars appropriated in relation to program objectives—a more relevant operational criterion of adequate funding than is the percentage of state budget allocations—then we must conclude that support at the state level has not fallen off. In fact, states in the aggregate have expanded support for higher education recently at increasing rates. In a number of cases, individual institutions have been allocated insufficient support because they must now share appropriations with a larger number of institutions (particularly with new 2-year colleges and with private institutions receiving public support), total enrollments have grown (though at a slower rate than in the previous decade), and the dollar has been eroded by inflation. Though real support per student may have declined in some instances, this decrease is at least in part attributable to a failure on the part of the institutions and of state budget agencies to foresee, plan, and budget for sharply rising costs rather than to active withdrawal of support by a public grown hostile to higher education. Further, new requirements for greater accountability for both the public and private schools should be regarded as general and healthy requirements, rather than as punitive measures against higher education.

2. *Cyclical swings.* A significant amount of support for higher education has traditionally come from sources which are directly affected by general economic activity; consequently, such support tends to be cyclical in nature (Charts 6-12). Individual gifts—by both alumni and nonalumni—and corporate gifts are closely related to corporate profits and to the market values of securities. Thus, the leveling-off of such support in the late 1960s may be explained as easily by the sideways movement in corporate profits over the period 1966 to 1971, by changes in the tax laws,* and by other economic conditions exogenous to higher education, as by businessmen's disapproval of student activism, an interpretation offered by some observers.

   A sharp cyclical upswing of corporate profits in 1972 and 1973 corresponds with marked increases in those years of voluntary support for higher education.

3. *Unpredictable shifts.* The sources that have proved least predictable and most responsible for year-to-year variations in support for higher education are the foundations and the federal government.

   Although foundation support has doubled in the last 10 years from about $200 million to over $400 million, the support has been uneven from year to year; as a matter of fact, the foundations contributed less to higher education in 1970-71 than they had 6 years earlier, in 1964-65. Some of the decline is attributable to the foundations' expanding their social concerns to new areas, primarily to programs for the inner city. In the following academic year, 1971-72, however, there was a sharp resurgence of foundation support to colleges and universities, amounting to an $85 million increase over the preceding year (Chart 8).

   Federal support for higher education rose rapidly in the early 1960s, only to level off in the second half of the decade, and even to decline in 1970 (Charts 13-18). This marked relative withdrawal of federal support corresponds to the critical period around 1967-68, when colleges and universities were moving from black ink to red ink. But again, federal

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*Specifically, the changes in the tax laws included (1) the imposition of a 10 percent surcharge on corporate and individual income taxes in mid 1968 through 1969 and a 5 percent surcharge in 1970 that increased the effective tax rate, thus reducing the net cost after taxes of voluntary contributions; and (2) revision of the rules for valuing gifts-in-kind for the purpose of making deductions from market value to cost. The impact of this change in valuation may have been to reduce the reported dollar value of gifts-in-kind annually by as much as $10 million—that is, by as much as one-third to one-half—while the actual flow of gifts may have been unchanged. See Council for Financial Aid to Education, *1970 Corporation Support of Higher Education* (New York: CFAE, October 1971), p. 20.

support for the collegiate sector of postsecondary education has begun to increase this year over last, after 5 years of extremely little net gain.

With respect to each of the major outside sources of support for higher education, the most recent data show that:

State support is increasing;

Corporate profits, which affect individual and corporate giving, are up;

Foundation support has started to increase sharply once again, exceeding earlier peaks; and

Federal support is increasing at a faster rate than experienced in the last half decade.

In summary, the prospects for increased revenues for higher education appear brighter now than the earlier published reports have indicated. It may not be a time for despair, retrenchment, and shifting more of the cost of education to the students, but for hope and planning, to make future realities out of present possibilities.

Narrow Perspective on the Causes of Financial Distress

Still another shortcoming of recent analyses is that their perspectives on the causes of financial distress in higher education have been too narrow. They have looked for the causes of distress primarily within the higher education domain itself and not beyond it.

Two major causes used by the analysts to help explain the financial crisis are: (1) declining rates of enrollment growth, and (2) rapid increases in the cost of higher education, increases which exceed the general rate of inflation and which are attributed to low productivity. Let us look more closely at each of these factors.

Declines in the rate of enrollment growth. The proponents of increased tuition argue that, because of enrollment booms in the 1960s, colleges and universities expanded their staffs and facilities and then were left with large fixed outlays of funds that they could not continue to meet in the face of slackening enrollment growth (Charts 19-21). We have to admit that educators have tried to have it both ways. We used to claim that booming enrollment causes a financial crunch, and now we claim that slackening enrollment causes a financial crunch.

But neither simple assertion about the direct relationship between enrollment trends and financial strains is altogether satisfactory. Many institutions began to feel the crunch several years *before* enrollment growth began to decline; moreover, during the same years, many institutions

experiencing continued sharp rises in enrollment also suffered from straitened financial circumstances. It could even be that financial distress is a cause, rather than an effect, of enrollment decline if fewer students enroll because of resultant tuition increases. At any rate, it is clear that we need a much better understanding of the impact of enrollment on financing.

Costs and productivity in higher education. Part of the explanation offered for the financial distress of higher education relates to costs and productivity. The advocates of higher tuition observe that the annual increase in per-student costs exceeds the general rate of inflation. The sharper acceleration is attributed largely to the absence of major improvements in productivity within higher education, in turn a function of the labor-intensive character of education that makes productivity increases more difficult to achieve than in industry where mechanization is possible.

The analysis proceeds on the basis of the following syllogism, implicit in the argument:

- Because of the labor intensity of higher education, there has been very little increase in productivity;
- educators' salaries are going up;
- therefore, the cost of education must go up.

This is followed by the assertion that, while costs have gone up, the social benefits of education have not; and therefore, more of the cost of higher education should be shifted to the private beneficiaries. Students and their families constitute the only other major source of the funds available to pay for lagging productivity (i.e., cost increases per student in excess of those generated by inflation) and for quality improvement where improvement means increased costs.[*]

Since the recommendations to increase tuitions are based in part on this perception of "stagnant productivity" in higher education, it is time to take another look at the underlying concept of productivity. The conventional wisdom on this subject has remained unexamined for too long.

I would argue that it is not a matter of our having measured productivity in higher education and found it not to have increased; more accurately, we have never measured productivity in higher education.

Productivity is simply a measure of output per unit of input. The unit traditionally used to measure the output of higher education is the *credit*

[*]Committee for Economic Development, *Management and Financing of Colleges*, p. 16.

hour. A broader view of education might require that we treat the credit hour as a measure of input rather than of output. But if we persist in using it as a measure of output, then we should at least recognize that a credit hour is, by definition, a *fixed* measure. A "credit hour" is to the education industry approximately what a "vehicle" is to the transportation industry. If we measured the output of the transportation industry over time by counting bicycles, automobiles, propeller airplanes, and jet airplanes all as "vehicles," and if we accepted the vehicle count as a measure of output and rejected what we know about increases in passenger miles traveled, then we might well be distressed over "stagnant productivity" in the transportation industry. Yet the 180 credit hours that it took a student in the 1920s to earn a degree in engineering to help design the assembly line for mass producing the Model T is the same 180 credit hours that it takes a student in the 1970s to earn a degree to help design the space vehicle that flies us to the moon.

The "stagnant productivity" argument is a ragged and incomplete explanation for the cost increases in higher education, increases which are, however, sharper than the rate of inflation in the rest of the economy. A more complete explanation would at least allude to a number of other developments that have affected institutional expenditures; e.g., (a) expansion of the coverage of minimum wage legislation to include employees of (nonprofit) educational institutions, (b) increases in the levels of these minimum wages, (c) extension of collective bargaining into higher education for both academic and nonacademic employees, and (d) implementation of the array of federally mandated programs including affirmative action and occupational health and safety.

Approximately three-quarters of the operating budgets of colleges and universities are expended for the wages and salaries of academic employees who teach and do research and of nonacademic employees who work in offices, cafeterias, and hospitals. When I started graduate study in the mid-1960s, the nonacademic workers at the eminent university where I matriculated were paid $ 85 an hour at a time when the average wage of manufacturing employees was $1.80 in that state and $2.60 in the nation as a whole. Many of the university's nonacademic employees were hired only for the 9-month academic year and faced forced summer layoffs. Thus, their jobs took on aspects of seasonal employment, the effort from which yielded an annual income below the poverty minimum. The extension of minimum wage legislation to these employees helped to redress partially these imbalances in income. Since then, in addition, collective bargaining has begun to spread (although at uneven rates) among educators, whose annual income may in the past have been considerably lower than that of their counterparts in industry with equivalent education, experience, and responsibility.

The rapid increases in higher educational costs should be seen, at least in part, as the result of more equitable income and social policies and not exclusively as the consequence of low productivity. Indeed, were we to hold to the limited view of productivity in education, we would have a strange paradox to explain. Increases in labor and capital do not, by themselves, account for the bounding long-term rate of economic growth in this country; there is a vast residual growth, usually explained by improvements in technology and by education. Thus, we have a situation where productivity is said to have increased very little, but, at the same time, education is used to explain a substantial amount of the increase in productivity in the national economy as a whole—either directly, or indirectly through improvements in technology.

Financial Prospects

What, then, are the financial prospects for higher education? In the last several years, a fragile stability in the financial conditions of institutions of higher education has been achieved not by increasing revenues but by holding down costs.[1]

In the next several years, however, financial conditions are likely to be determined by an opposite set of forces. The prospects for increasing revenues are much brighter now than they have been in the recent past. On the other hand, management cost cutting by institutions may be approaching a point of negative returns at the same time that inflationary pressures are becoming overwhelming. In short, the near-term financial prospects depend on either the nation's controlling inflation or the institution's adapting to it. But inflation cannot be used to argue that students should bear a *more* than proportional share of cost increases.

Conclusions about the Analysis of Financial Distress

With respect to that part of the case for higher tuitions that is based on an analysis of financial distress and its causes, I would argue that:

1. The long-term prospects for increased revenues are brighter than they have been depicted. Consequently, we may not, in fact, be faced with a situation where the only alternative is to pass an increasing share of the costs on to students and their families by raising tuitions.

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[1]Earl F. Cheit, *The New Depression in Higher Education* (New York: McGraw-Hill, 1971), *The New Depression in Higher Education—Two Years Later* (New York: McGraw-Hill, 1973), "Colleges Make Progress in Curbing Cost Rise," *New York Times*, January 16, 1974.

2. The causes of sharp cost increases in higher education are located not just within the educational sector itself but also in the general economy.

In searching for explanations for the financial distress in higher education, what the analysts found depended on where they looked. They looked within the educational domain both for the causes of and the solutions to the financial distress.

If we broadened our perspectives we might find underlying causes of the distress in:

- War, which forced cruel choices among domestic priorities;
- General inflation;
- Cyclical downturn in corporate profits resulting from general business conditions;
- Federal reassessment of the role of research;
- Social commitment to equal access to postsecondary educational opportunity, a commitment that was not accompanied by sufficient public funds to achieve the goal, with the result that educational institutions have been trying to make up part of the deficit with educational funds;
- Income policies, including minimum wage legislation and collective bargaining;
- And now even the energy crisis, which, by adding unexpectedly to costs, threatens to topple arduously regained budget balances.

At the very most, these causes of distress can be used to argue that students and their families might be asked to bear a proportional share of the cost increases. They cannot, I believe, be fairly used to ask them to bear a more-than-proportional share of the cost increases.

Equity and Efficiency

The second major argument advanced for increasing tuition concerns equity and efficiency in the allocation of public support for higher education. The advocates of increased tuition contend that, even though government spending has been greatest for low-income students, much of the public support for higher education accrues to middle- and high-income students; consequently the distribution of subsidies is inequitable.

In addition, they say, such subsidies are inefficient because these students would go to college anyway; the subsidies do not affect their decisions. Thus, if government aid continues to be distributed as it is now, we cannot make substantial progress in achieving greater equality of educational opportunity.

They propose to correct this "faulty distribution" by increasing the proportion of direct federal grants and loans to students according to their ability to pay and, at the same time, by raising tuitions at public institutions. This strategy, they claim, would more effectively target government aid to those who need it most and thus improve equality of educational opportunity. In addition, a large part of this direct student aid would go to colleges and universities in the form of higher tuitions; thus, institutional revenues would be increased.

These arguments are both plausible and appealing to our egalitarian commitments. But, again, we should look closely at the data and the value judgments underlying these propositions.

The Goals of Higher Education

Of the many goals associated with higher education, two are clearly central: (1) the *educational goal* of creating the capacity to deliver educational services, and (2) the *social goal* of assuring equal opportunity to benefit from those educational services. These two goals are separate and distinct, but some advocates of higher tuition confound them. Thus, the support intended to create educational capacity and the support intended to assure educational opportunity are lumped together, and the distribution of the combined support is evaluated against the single objective of assuring equal opportunity.

The proper question is not whether all aid is effectively targeted to achieve the social goal of equal educational opportunity. What we need to ask is: What is the proper commitment of resources—and by which level of government—intended to create educational services, and what is the proper commitment of additional resources intended to assure opportunities to benefit from those services?

Many of those who argue that we should raise tuitions and redirect the added private resources so generated, conceive of the policy alternatives in terms of fixed amounts of resources which are channeled either to students or to institutions. Students and institutions are viewed as adversaries in a zero-sum game.

There is a basic distinction between the *educational* goal of creating educational services and the *social* goal of achieving equal opportunity in this country. The social goal is broader, extending far beyond education; *the resources needed to achieve it should come from general revenue* sources, and not be diverted from educational goals or generated by means of a tax on education.

Redistribution of Income

Some analysts explicitly propose raising tuition for the purpose of redistributing income. The additional revenues generated through the higher tuitions paid by unassisted students are to be channeled into aid for needy students. If this redistribution takes place within individual institutions, then it involves only those families who happen to send a student to those colleges, not the population as a whole.

To a startling extent, this redistribution is now taking place by means of the tuition increases that have already occurred. There exists at present a large student aid subsidy gap; that is, the amounts of student assistance awarded by institutions far exceed the amounts of income channeled through them specifically for this purpose (Chart 22). Since the inception of the major programs of assistance for low-income students in the mid 1960s, the student aid subsidy gap has amounted to a staggering $2 billion. In 1971-72, the most recent academic year for which we have data, the subsidy amounted to more than a half billion dollars at all institutions and more than a quarter of a billion dollars in private institutions alone. Because of their high tuitions, private colleges and universities provide a relatively large amount of direct assistance to each low-income student who enrolls. Thus, the aggregate student aid subsidy gap is higher at private institutions than at public institutions.

If the amount of the assistance that private institutions provide from their educational funds is divided by the total enrollment at private institutions, we find that, in 1971-72, the subsidy gap was—on the average, across the nation—about $125 for each and every student enrolled. This means that, if adequate funds had been provided from public sources to support students who needed *additional* assistance, tuition could have been reduced $125 that year for every student enrolled at a private institution, whether assisted or unassisted. Over the 4 years conventionally required to earn a baccalaureate, making up the subsidy gap would result in a $500 tax on every student who now attends a private institution.

There is a similar, but smaller, tax imposed on the students who now attend public institutions. The proposed strategy of raising tuitions at public institutions and redirecting the added revenues into student aid, would, in

effect, introduce a similar redistributive system into the public institutions. Financial reform lies in the direction of removing the special tax from the students enrolled in private institutions, rather than imposing it on the students enrolled in public institutions. The resources needed to achieve equal educational opportunity ought to be provided from general revenues and not from an educational tax on the students.

Intergenerational Transfers

There is, I believe, a central flaw in the analysis of those who have concluded that, because of a *current* maldistribution of aid, tuitions should be increased and support reallocated among income groups in order to achieve greater distributional equity. The flaw was first noted by Dr. Joseph Pechman, who points out that the costs and benefits of any plan for financing higher education cannot be assessed at a single point in time because the costs and benefits occur *over time*.[1]

Consequently, in devising plans for financing higher education, we need to determine not only *who* should pay but also *when* they should pay. The tuition issue is then transformed. It is no longer a question of how much the students should pay and how much they should be subsidized; the question becomes whether they pay now or later.

Because investments in education are among the largest an individual makes in a lifetime, and because the benefits of the education accrue over that lifetime, most people generally agree that the payments for education should be spread over time. This can be done either through the mechanism of high tuition coupled with income-contingent loans or through the mechanism of low tuition coupled with income-contingent taxes.

In both cases, the education is financed by intergenerational transfers of resources. The transfers can be made by means of private mechanisms, whereby institutions charge high tuitions that are paid out of the accumulated savings of the parental generation and/or out of loans to students that will be repaid from future earnings. Or, the transfers can be made by means of public mechanisms, whereby institutions charge low tuitions and the difference between tuition and the full cost of education is financed with the tax payments of the parental generation. Then the costs of the low-tuition benefits are subsequently repaid out of taxes on the future earnings of the student generation.

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[1] Joseph A. Pechman, "The Distributional Effects of Public Higher Education in California," *Journal of Human Resources* 5, (1970), 361-370.

The intergenerational nature of the transfer of resources is essentially the same whether the transfer mechanism is private or public. Using either mechanism, there are transfer costs. Given the imperfections in the capital market for investment in education, however, interest costs on private loans to finance education are exceedingly high, notwithstanding government guarantees and a new secondary marketing association for student loans. These interest surcharges on private educational loans result in substantial leakage out of the private intergenerational transfer system for financing higher education. It may simply be easier and less costly to make the intergenerational transfers in the public rather than the private sector.

Historically, as access to education has broadened, the intergenerational transfer mechanisms for financing it have shifted from the private to the public sector, first for elementary education and subsequently for secondary education. There is no inherent reason why the financing of public postsecondary education should differ in essential ways from the financing of elementary or secondary education. Advocates of increased tuitions object, however, that a public tax transfer system to support low-tuition public higher education is inequitable because some people who do not benefit from the educational opportunities are taxed. Such concerns did not play a determinative role in the political decisions to provide tax support for public elementary and secondary education. Some have pressed the distinction that elementary and secondary education is compulsory whereas postsecondary education is voluntary. But this distinction does not reach the situation of the childless family who must pay taxes to support an elementary educational system from which they derive no immediate, direct benefits. Yet a political judgment was made that the benefits of the no-tuition elementary educational system to society as a whole outweigh the inequities which this particular form of financing imposes on childless families or on families who choose to send their children to private schools. If those inequities to nonusers are, however, still deemed to outweigh benefits to society of higher education supported by general tax revenues, it is possible to conceive of alternative financing plans embodying concepts akin to special education user taxes.

Full access to higher education is by no means a reality. But we may question whether that goal will be reached faster if we raise tuitions and hope for offsetting increases in student assistance, or if we keep tuitions as low as possible and work to broaden access, considering not only the economic but the social and psychological needs of those now excluded.

Longitudinal Equity

In the economics of public finance, two standards are used to judge the fundamental fairness of spending and taxing programs. They are known in

the trade as "horizontal equity" and "vertical equity." *Horizontal equity* means treating people in similar circumstances in the same way. *Vertical equity* means treating people in different circumstances differently.

I think we may add to these standards a concept of *longitudinal equity*, intended to convey the idea that people should be treated fairly over time. This concept should not be used as a conservative argument against any change in the historical way of doing things, or against reform designed to introduce greater current vertical or horizontal equity. Fair treatment of people over time is, however, a relevant consideration in weighing the net benefits resulting from proposed changes.

The concept of longitudinal equity would apply to the tuition debate in the following way. As I mentioned earlier, the financing of education is spread out over time, with resources being drawn either from the previous generation or from the future generation. Historically, our system of low-tuition public higher education has been financed by the parental generation for each succeeding student generation. Over time, increasingly wealthy parental generations have provided more and more resources to the student generations, and access has broadened to the point where we are approaching universal access for able students from upper- and middle-income families.

Now, just at the time in history when we are making serious attempts to broaden access to low-income students, we change the rules of the game. We propose to shift a larger share of educational costs from the parental generation to the student generation; the students must bear these costs either now or later, from future income.

Many of us obtained our undergraduate degrees for no or low tuition and a few dollars a semester in student fees. But now—when it is our turn to help pay for the education of the upcoming generation—we renege and shift more of the burden to the students. It would be "fair" to devise a financing system based either on low-tuition, parental-generation taxation or on high-tuition, student-generation borrowing. The inequity arises at the point in time when we switch systems, in this case shifting burdens forward from the parental to the student generation. It would seem that the current student generation, particularly the lower-income students, could be justifiably outraged.

Alternative Ways to Achieve Distributional Equity

The concern for distributional equity in comparing plans for financing postsecondary education relates to fairness in sharing the burden of costs and the value of benefits among people in different income groups. Equity

depends on who gets the net subsidies (that is, the benefits minus the costs) in comparison with who we think ought to get them.

The net educational subsidies received by various income groups at a particular point in time is a function of the following determinants, for each of which sets of public policies may be devised:

Determinants of Net Subsidies	Policy Domain
Educational costs	Educational policies Resource utilization policies
Student charges	Tuition policies
Student assistance	Aid policies
Enrollment patterns by students by income by type of institution	Admissions policies Access policies Retention policies
Income distribution	Income policies
Tax rates	Tax policies

Proposals to raise tuition, even when combined with proposals to increase student aid, focus on a limited subset of the possible policy alternatives designed to broaden access while improving distributional equity. The particular policy domain on which tuition analysts focus in proposing change is more a function of their values and of their assessments of the political feasibility of the various alternatives than of the underlying empirical analysis.

Conclusion

To recapitulate this discussion of equity and efficiency as it is related to the tuition issue:

1. Those who contend that the present distribution of public support for higher education is inequitable and inefficient because too large a proportion of the subsidy goes to middle-income and upper-income students rather than to low-income students fail to make a clear distinction between the educational goal of providing educational services and the social goal of assuring equal opportunity to benefit from those services. The distribution of costs and benefits should not be evaluated solely against the latter goal.

2. Raising tuitions and channeling the added revenues into student aid introduces a system of income redistribution that operates within the educational system and not across the population as a whole. Raising tuitions is an inefficient and inequitable way to achieve more equal income distribution.

3. Financing education through public mechanisms for intergenerational transfer of resources may, on balance, be considerably more fair and efficient than financing through private mechanisms.

4. We need to pay more attention to equity as it applies over time if we shift relatively from tax-based to loan-based financing.

5. The recommendations of the proponents of increased tuition for achieving equal opportunity do not flow directly and inexorably from their empirical analyses. But then neither do those of the low-tuition advocates. Both positions are, rather, a function of the values of those who formulated the recommendations.

Improvement of the Educational System

The third argument for increased tuitions maintains that the educational system would be improved (1) if the competitive position of the private institutions was strengthened by reducing the tuition gap between the public and private sectors, and (2) if the whole system were made more responsive through pricing mechanisms where the students as consumers express their preference with tuition payments in more competitive educational markets. Let's look at the line of reasoning.

Reducing the Tuition Gap

The financial plight of private institutions is a matter of very real concern. But proposals to help private institutions by increasing tuitions at public institutions, thus reducing the tuition gap, focus too narrowly on competition for enrollment as the primary source of their distress.

In assessing the probable effectiveness of the higher tuition recommendations in helping the private schools, we might want to consider several additional facts that relate to differences between the public and the private educational sectors and that would lead, I think, to the conclusion that the issue is far more complex than simple competition for enrollment.

First, graduate student enrollments are proportionately half again higher in private than in public universities. About 30 percent of all students enrolled

in private universities are graduate students, as compared with about 20 percent in public universities. Consequently, recent cutbacks in federal support of research and training at the graduate level may well have had a more dire effect on private institutions than on public institutions generally. Raising tuitions at public institutions as a response to this problem may be as likely to spread distress as to spread enrollment.

A second consideration is that tuition levels are, in general, directly related to institutional size. The larger the school, the lower the tuition. These differentials may be cost-justified. Private institutions tend to be smaller than public institutions; and in many cases their smallness is deliberate, the fulfillment of traditionally held beliefs about the educational and social values of a small college.

If small size is a worthwhile educational objective from the point of view of society, then that objective may best be supported directly by awarding assistance to small institutions or to the students attending small institutions rather than indirectly by raising tuitions at the larger, public institutions.

With respect to competition for enrollment, market shares depend on how one defines the market; private universities have held their share of university enrollment, and private 4-year institutions have held their share of 4-year enrollment, a bit more successfully than either has held its share of total enrollment. What has happened is that the private institutions have not participated in the rapid growth of the 2-year college educational market.

Educational "markets" are segmented by different types of institutions and linked, but they also have a geographic delimitation—they are not national markets. Except for a few prestige institutions with the power to draw students from all over the country, most educational markets are regional, state, or even local.

A *national* policy proposal to increase tuitions at public institutions in order to reduce disadvantage in price competition facing private institutions does not take into careful consideration the *federal* nature of higher education in this country. We have, in fact, 50 different state situations. Private enrollments range all the way from 60 percent of all enrollments in Massachusetts, to zero in Wyoming and less than 5 percent in four other states. Further, private enrollments are highly concentrated geographically. Two states—New York and Massachusetts—presently account for one-fourth of all private enrollments; these two states and four others—Pennsylvania, California, Illinois, and Ohio—account for one-half of all private enrollments. From a national standpoint, it does not seem reasonable to raise tuitions in public institutions in Wyoming to help private institutions in Massachusetts. From a state standpoint, it does not seem

reasonable to raise tuitions for, say, the 85 percent of the students enrolled in public institutions to help private institutions that enroll 15 percent. We ought to be able to devise more carefully honed policy instruments.

Improving Responsiveness

Judgments about how responsive institutions are to their constituencies often differ between the increased-tuition and the low-tuition proponents. The increased-tuition proponents more frequently characterize institutions as relatively unresponsive. They seek to enhance responsiveness by pricing education closer to full cost and relying to a greater extent on market mechanisms to permit students to express preferences.

The applicability of the market model to higher education is a subject that requires another complete paper. Let me simply observe here that the students in whose interests this plan is supposedly advanced, and who have the keenest interest in the quality of their education, are among the most vociferous opponents of raising tuitions. They may be knowledgeably skeptical about assurances of increased student aid, or they may feel that they can develop better ways to express their educational preferences than through pricing.

Idealized Reform Proposals

There is a tendency among the advocates of higher tuition to compare an idealized version of their reform proposals against a more realistic appraisal of the existing system with its admitted shortcomings.

We must work ardently to improve the educational system, but the one we have is basically workable, and along some dimensions it is even extraordinarily successful. Real losses would be inflicted if tuitions were raised and that decision is proved to be wrong. Therefore, we should proceed cautiously.

Financial Aid

Recall, for instance, that student based assistance programs were proposed as alternatives to institutionally based programs on the grounds that they simplify the awards of aid and make them more equitable. I think we are surprised now to discover how short a time it took to bureaucratize BOGs; how the administrative regulations are accumulating into thick volumes; how the certainty of the awards is becoming the inflexibility of the awards; how the simplicity of the award calculation is becoming the inequity of the irrebuttable presumption that the expected family contribution will in fact

be available to the student. We are surprised now about how difficult it is to answer questions of fairness in the treatment of assets and in the definition and treatment of dependent or independent students—questions which may even end up in the courts in constitutional cases testing equal protection arguments. And finally we may be surprised at how a program devised in part to help the private institutions—which awards a little more but not really enough aid—may actually be hurting them as well as hurting 2-year public institutions while helping 4-year public institutions. We may be surprised by the possible adverse impact on tuition levels at public institutions—in states where they must raise tuition levels as the only way to capture federal assistance funds awarded on a formula based in part on educational cost. And we may even be surprised to discover a possible shift in the locus of postsecondary educational decisions toward the federal from the state levels of government.

If that system of support had been the one we started with some years back, I could well imagine a current reform movement the central tenet of which would be that low tuition, together with an income policy to aid low-income students, is a simpler and more equitable system for financing postsecondary education.

Such a low-tuition financing plan might even be advanced as much more attractive to the voters. We are only now beginning to understand some of the political dimensions of the tuition debate. For the purposes of developing student financial assistance programs, middle-income families are categorized as families who do not need financial aid to send their children to college. They are excluded from programs of direct financial assistance to low-income families, yet they provide the taxes to support the assistance programs. Strong opposition is growing to expenditures for those programs which they support through their taxes but from which their children are excluded. Support for low tuitions may be a more politically viable alternative.[1]

Income-Contingent Loans

Similarly, I think we have been presented so far with an idealized version of income-contingent loans to students to finance postsecondary education. But there are, it appears, two basic real-world problems with them:

- The banks, who are the lenders, don't like them.
- The students, who are the borrowers, don't like them.

[1] Remarks of James G. O'Hara, Chairman, Special Subcommittee on Education, on the House Floor, October 2, 1973.

Now remember that the income-contingent loan is usually offered as part of a program to permit higher tuition costs to be borne by the student, who consequently carries substantially larger amounts of debt. To reduce the burden of annual repayment of principal and interest, the term of the loan is converted from short-term to long-term. Then, to mutualize and reduce the risk of the long-term repayment, the repayment is made income contingent.

But the banks, which currently supply by far the largest proportion of educational credit, are themselves short-term borrowers and short-term lenders. As Robert Hartman has so insightfully pointed out, extending the term of the loan is not just a matter of simple detail, it probably is a matter of finding new longer-term sources of educational credit.[10]

As to students, what evidence we have indicates that students vastly prefer short-term to long-term credit, even if the short-term loans carry a higher interest rate. Students may not be altogether indifferent to the fact that repayment of a loan of, say, $10,000 at 8 percent over a 30-year period involves a total repayment of around $26,000—$10,000 principal and $16,000 interest. And who knows if the discount rates economists use to compare the present values of the original loan and the subsequent total repayment reflect students' real time preferences between current consumption and future consumption.

This is not to argue that new ideas cannot be made to work. It is rather to argue that improving the capital market for investment in education is more complicated in the real world than the recent analyses would lead us to believe. The student loan market is not, in fact, now able to meet much of the pressing need for resources for postsecondary education.[11]

The analysis of income-contingent lending has taken place so far within the education sector. We might want to look at its dynamic interactions with

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[10] Robert W. Hartman, "Graduate Student Support," in *Federal Policy Alternatives toward Graduate Education* (Washington: National Board of Graduate Education, March 1974).

[11] It might be instructive to observe, for instance, that going from short-term loans to long-term loans, a small portion of which are just becoming available to low-income home-buyers, took more than 30 years—from the 1934 creation of the federally insured mortgage (FHA) to the 1938 creation and the 1950s expansion of the secondary mortgage market (FNMA), to the 1968 creation of the special agency (GNMA) to meet additional needs for subsidy for low-income borrowers. And in borrowing to finance homes it is easier to develop a loan system because you have physical collateral for the loan which you do not have in borrowing to finance education.

other sectors. What happens, for instance, when a young man with a PhD and a $10,000 educational debt marries a young woman with a PhD and a $10,000 educational debt? What kind of reception will they get from the mortgage credit analyst when they go out to buy a house and put down on the loan application that they already have an overhang of $20,000 debt? The impact on home buying is not likely to be irrelevant or inconsequential.

If we really shift to debt-financed postsecondary education, we must pay more attention to questions about how requirements to borrow—which may fall disproportionately on students from middle-income families—would affect the relative distribution of income and assets of those students, in comparison with the current situation of subsidized low-income students or parentally financed upper-income students.

In making that comparison, we might want to take a look at the tax structure to ascertain whether investment in people would be treated fairly in relationship to investment in capital goods. We might find, for instance, lower capital gains treatment of some returns from investment in physical capital and a higher income tax treatment of all returns from investment in education. And we might find that the expenses of creating the asset are deducted from the income from physical capital but not from that of educational capital; or that the value of physical capital is recoverable in depreciation allowances, but that the value of educational capital is not.

Summary

In summary, I would argue that:

The case for *increasing tuition* rests on

- analyses of the causes of and the solutions to financial distress in postsecondary education which are too narrow in perspective;
- idealized rather than realistic versions of the changes that implementing their proposals would bring about; and
- incomplete analyses of the issues with respect to equity in the tuition debate.

Consider, for a moment, the bizarre implications for social justice when the educational system is used as a system for redistributing income, and college admissions officers, together with financial aid officers, function as arbiters among families as to who is taxed and who is subsidized. The problem is that we already have a system that works that way. But decisions about the proper distribution of income belong in the public domain and not

within the education system. Reform lies not in the direction of increasing these effects by increasing tuitions and redistributing the added revenue as student assistance but rather in reducing these effects.

The case for *less-than-full-cost tuition* rests on recognition of the social benefits of postsecondary education; and finally

The case for *low tuition* rests on

- preference for public rather than private mechanisms for spreading the costs of education over time;
- skepticism about the basic superiority of increased use of loan-financing over tax-financing for postsecondary education;
- conviction that the educational system should not be used as the vehicle for income redistribution, and
- belief that greater and more equal educational opportunity can be secured through low tuitions rather than through high tuitions offset with student assistance to low-income students.

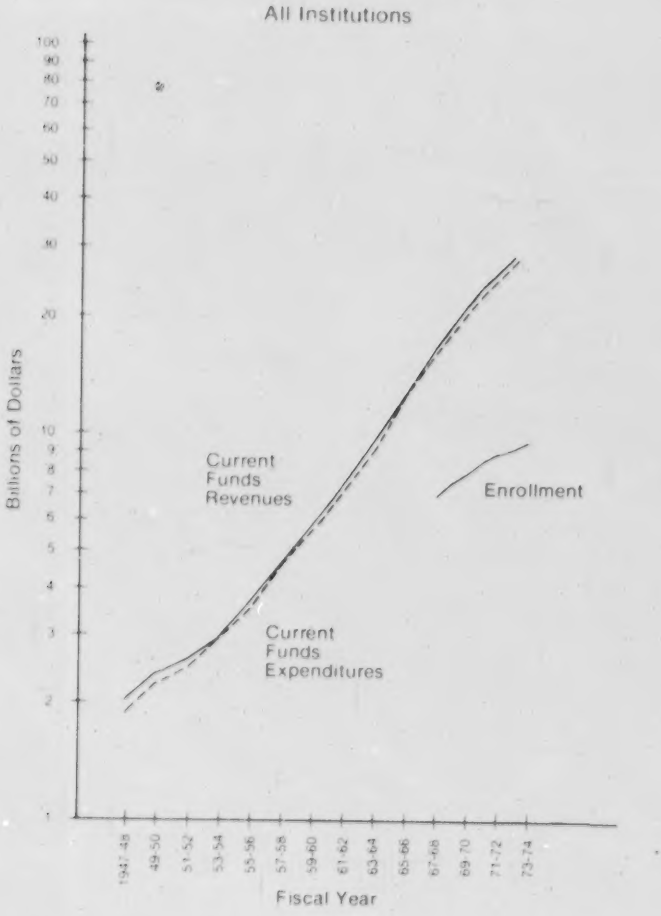
The recommendations to increase tuitions at public institutions, conceived and carried out with a mentality of retrenchment, may be untimely. They are certainly self-limiting and self-fulfilling.

Increased-tuition proponents have defined the tuition issue in terms of reallocating a relatively fixed share of national resources. The tuition issue should be redefined in order to consider in broad terms the place of postsecondary education among national priorities.

APPENDIX

CHART 1

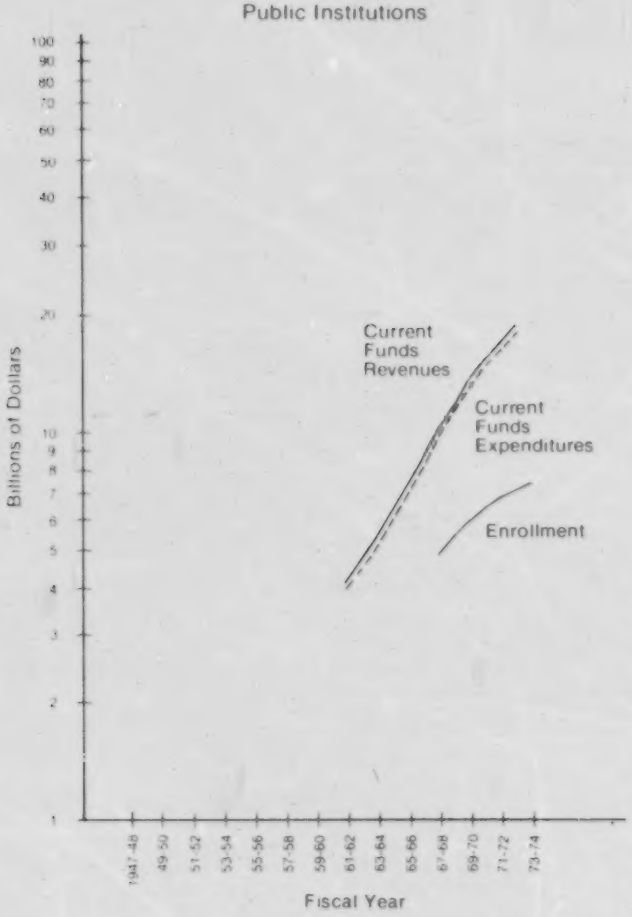
Current Funds Revenues and Expenditures of Institutions of Higher Education



Sources.—U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), p. 3; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures 1965-66*, pp. 7, 12, and following years 1966-67: p. 13; 1967-68: p. 11; 1968-69: p. 15; 1969-70: p. 12; and National Center for Educational Statistics, preliminary data, 1974.

CHART 2

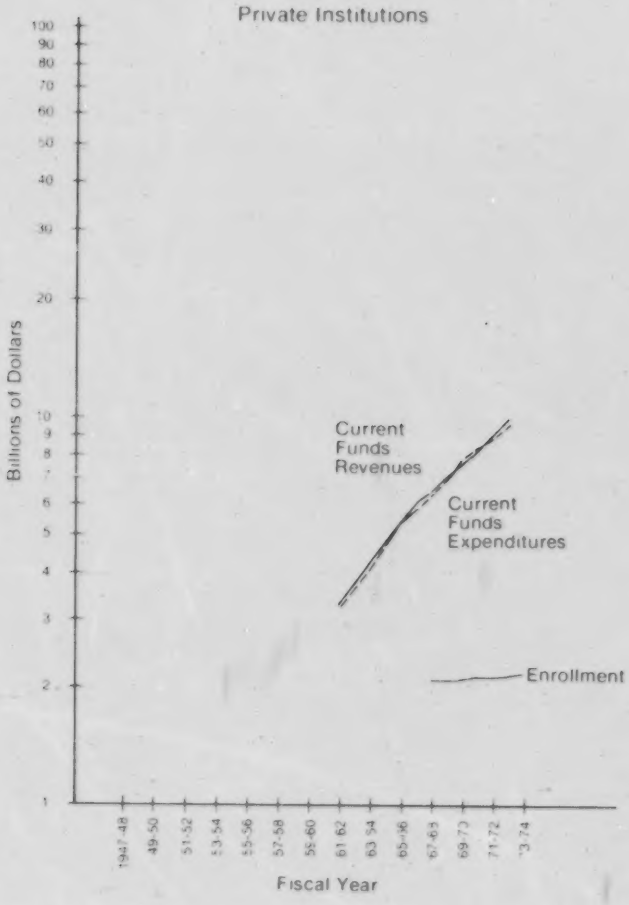
Current Funds Revenues and Expenditures of Institutions of Higher Education



Sources.—U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3, 38-44, and 46; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures 1965-66*, pp. 7, 8, and following years: 1966-67, p. 13; 1967-68, p. 11; 1968-69, p. 15; 1969-70, p. 12; and National Center for Educational Statistics, preliminary data, 1974.

CHART 3

Current Funds Revenues and Expenditures of Institutions of Higher Education



Sources.—U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3, 38-44, and 46; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures 1965-66*, pp. 7, 8, and following years, 1966-67, p. 13, 1967-68, p. 11, 1968-69, p. 15, 1969-70, p. 12, and National Center for Educational Statistics, preliminary data, 1974.

TABLE 1

Current Funds Revenues and Expenditures of Institutions of Higher Education

(Aggregate U.S.)
(Dollars in Thousands)

Year	Revenues	Expenditures
1947-48	$ 2,037,770	$ 1,894,464
1949-50	2,390,079	2,259,941
1951-52	2,579,364	2,486,229
1953-54	2,966,264	2,902,466
1955-56	3,628,773	3,524,744
1957-58	4,675,513	4,543,562
1959-60	5,812,759	5,627,962
1961-62	7,466,461	7,190,077
1963-64	9,591,330	9,224,988
1965-66	12,796,207	12,569,943
1966-67	14,632,857	14,301,905
1967-68	16,910,420	16,565,909
1968-69	18,974,320	18,578,772
1969-70	21,638,590	21,161,677
1970-71	24,021,374	23,515,225
1971-72	26,400,915	25,718,535
1972-73	28,854,972	28,094,315

Sources – U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), p. 3; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures 1965-66*, pp. 7, 12, and following years: 1966-67, p. 13; 1967-68, p. 11; 1968-69, p. 15; 1969-70, p. 12; and National Center for Educational Statistics, preliminary data, 1974.

TABLE 2
Current Funds Revenues of Institutions of Higher Education By Control of Institution

(Aggregate U.S.)

(Dollars in Thousands)

Year	Public Institutions	Private Institutions	All Institutions
1961-62	$ 4,147,426	$3,319,035	$ 7,466,461
1963-64	5,368,679	4,222,651	9,591,330
1965-66	7,397,672	5,398,534	12,796,207
1966-67	8,622,426	6,010,431	14,632,857
1967-68	10,412,055	6,498,365	16,910,420
1968-69	11,851,538	7,122,782	18,974,320
1969-70	13,870,962	7,767,628	21,638,590
1970-71	15,644,733	8,376,641	24,021,374
1971-72	17,211,026	9,189,889	26,400,915
1972-73	18,993,835	9,861,137	28,854,972

Current Funds Expenditures of Institutions of Higher Education By Control of Institution

(Aggregate U.S.)

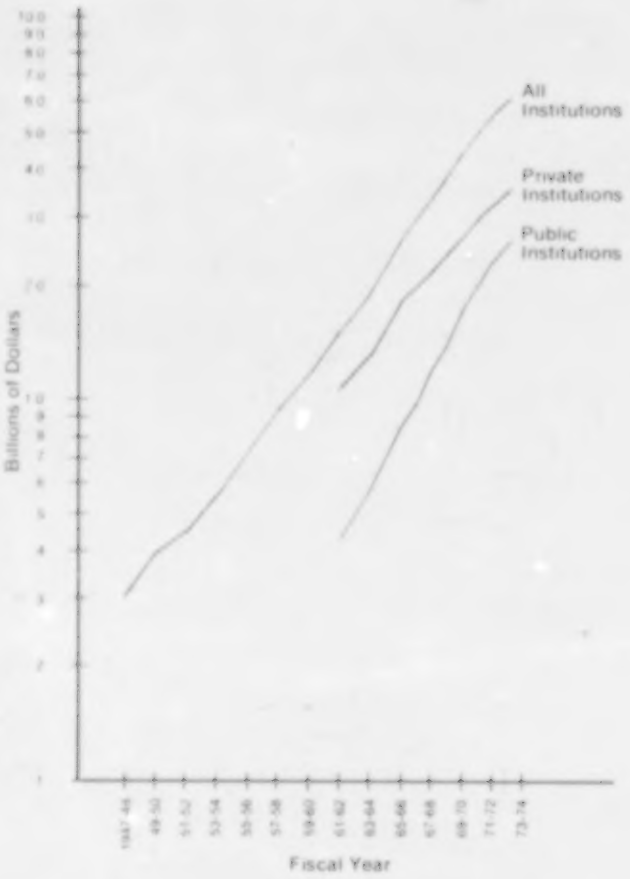
(Dollars in Thousands)

Year	Public Institutions	Private Institutions	All Institutions
1961-62	$ 3,967,556	$3,222,521	$ 7,190,077
1963-64	5,114,494	4,110,494	9,224,988
1965-66	7,114,703	5,455,240	12,569,943
1966-67	8,361,457	5,940,448	14,301,905
1967-68	10,102,844	6,463,065	16,565,909
1968-69	11,512,831	7,065,941	18,578,772
1969-70	13,349,667	7,812,010	21,161,677
1970-71	15,112,477	8,402,748	23,515,225
1971-72	16,608,073	9,110,461	25,718,535
1972-73	18,329,379	9,764,936	28,094,315

Sources—U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3, 38-46. U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures 1965-66*, pp. 7, 8, and following years, 1966-67 p. 13, 1967-68 p. 11, 1968-69 p. 15, 1969-70 p. 12, and National Center for Educational Statistics, preliminary data, 1974.

CHART 4

Student Tuition and Fees at Institutions of Higher Education By Control of Institution



Sources. — U.S. Office of Education, *Higher Education Finances: Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3, 8-9, 38, 40. DHEW's *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures, 1965-66*, p. 10 and annual issues. National Center for Educational Statistics, preliminary data provided by Mr. George Lind (245-7961).

TABLE 3

Percentage of Tuition and Fees in Educational and General Current Funds Revenues

(Aggregate U.S.)
(Dollars in Thousands)

Year	Educational and General Current Funds Revenues	Tuition and Fees	
		Amount	*Percent*
1947-48	$ 1,546,814	$ 305,632	19.8
1949-50	1,846,825	395,855	21.4
1951-52	2,035,401	448,395	22.0
1953-54	2,356,506	554,179	23.5
1955-56	2,881,759	725,926	25.2
1957-58	3,762,532	939,111	25.0
1959-60	4,712,548	1,161,753	24.7
1961-62	6,072,219	1,505,329	24.8
1963-64	7,830,033	1,899,455	24.3
1965-66	10,340,164	2,679,605	25.9
1967-68	13,919,754	3,393,602	24.4
1968-69	14,417,303	3,829,824	26.6
1969-70	16,593,582	4,438,486	26.7
1970-71	18,517,216	5,042,978	27.2
1971-72	20,344,258	5,624,172	27.6

Sources —U.S. Office of Education, *Higher Education Finances: Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), p. 3; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures, 1965-66*, p. 10; 1967-68, p. 11; National Center for Educational Statistics, preliminary data provided by Mr. George Lind (245-7961).

TABLE 4

Percentage of Tuition and Fees in Educational and General Current Funds Revenues By Control of Institution

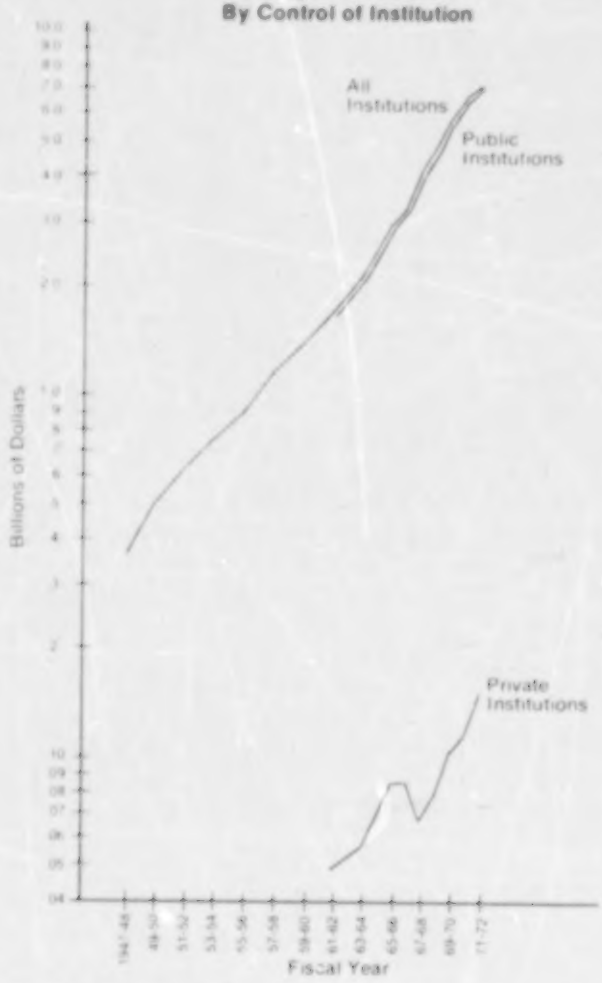
(Aggregate U.S.) (Dollars in Thousands)

Fiscal Year	All Institutions			Public Institutions			Private Institutions		
	Educational and General Current Funds Revenues	Tuition and Fees		Educational and General Current Funds Revenues	Tuition and Fees		Educational and General Current Funds Revenues	Tuition and Fees	
		Amount	Percent		Amount	Percent		Amount	Percent
1961-62	$ 6,072,219	$1,505,329	24.8	$ 3,396,772	$ 429,731	12.6	$2,675,447	$1,075,598	40.2
1963-64	7,830,033	1,899,455	24.3	4,396,869	582,865	13.3	3,433,164	1,316,589	38.3
1965-66	10,340,164	2,679,605	25.9	6,047,297	854,458	14.1	4,292,867	1,825,147	42.5
1966-67	11,985,716	2,982,469	24.9	7,133,946	977,419	13.7	4,851,770	1,985,050	40.9
1967-68	13,919,754	3,393,602	24.4	8,706,993	1,209,328	13.9	5,212,762	2,184,274	41.9
1968-69	14,417,303	3,829,824	26.6	9,318,635	1,399,013	15.0	5,098,667	2,430,811	47.7
1969-70	16,593,582	4,438,486	26.7	11,024,817	1,740,833	15.8	5,568,765	2,697,653	48.4
1970-71	18,517,216	5,042,978	27.2	12,447,232	2,038,899	16.4	6,069,984	3,004,079	49.5
1971-72	20,344,258	5,624,172	27.6	13,728,705	2,341,023	17.1	6,615,553	3,283,148	49.6

Sources.—U.S. Department of Health, Education, and Welfare, Office of Education, *Higher Education Finances: Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3, 8-9, 38, 40; DHEW's *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures, 1965-66*, p. 10 and annual issues, National Center for Educational Statistics, preliminary data provided by Mr. George Lind (245-7961).

CHART 5

State Government Support of Institutions of Higher Education By Control of Institution

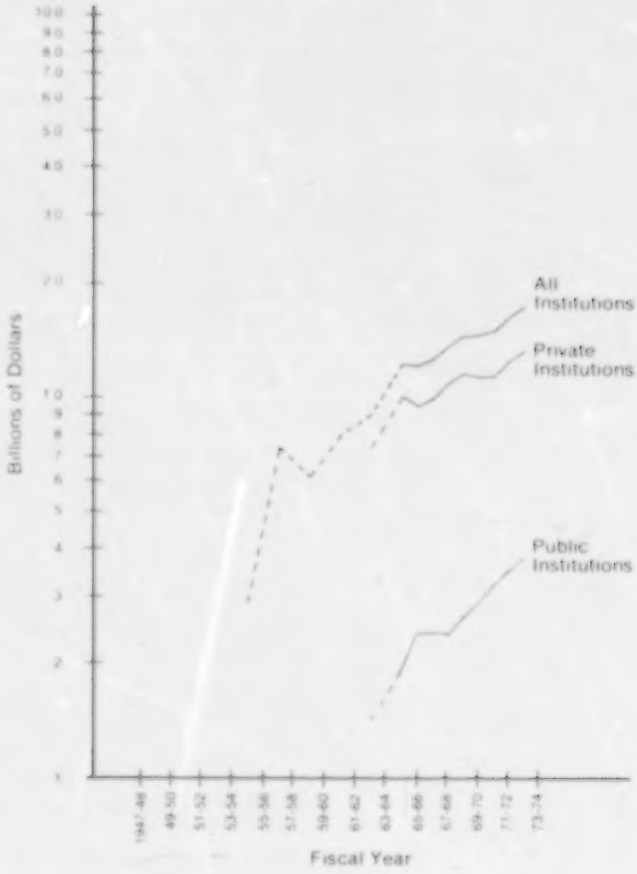


Sources.—U.S. Department of Health, Education, and Welfare, Office of Education, *Higher Education Finances: Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3, 8-9, 38-40; also DHEW's *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures, 1965-66*, p. 10 and annual issues; preliminary data provided by Higher Education Surveys Branch, 1974.

CHART 6

Voluntary Support of Higher Education By Control of Institution

All Sources

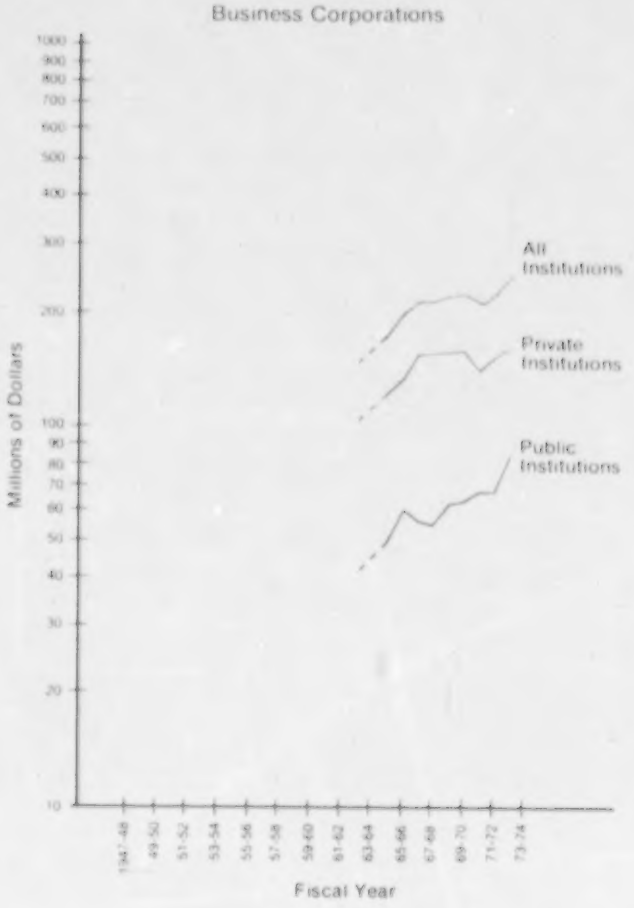


Source—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

Note—Public/private support totals apply only to 4-year institutions.

CHART 7

Voluntary Support of Higher Education By Control of Institution



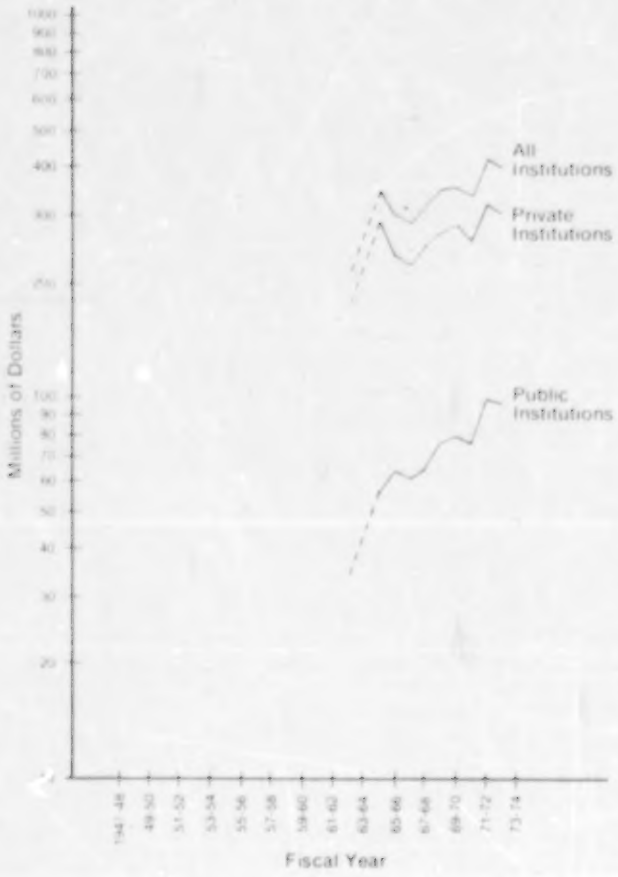
Source—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

Note—Public/private support totals apply only to 4-year institutions.

CHART 8

Voluntary Support of Higher Education By Control of Institution

General Welfare Foundations

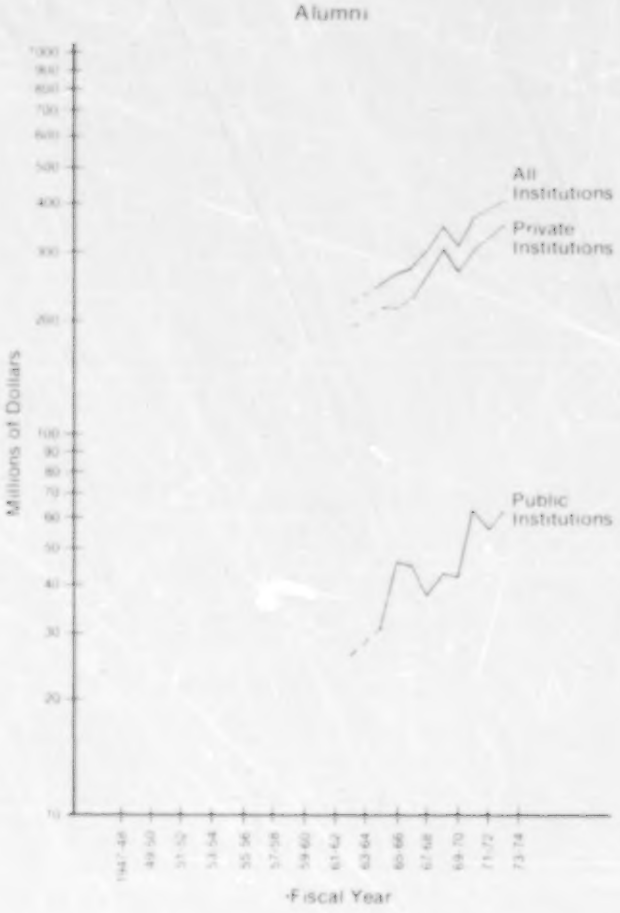


Source.—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

Note.—Public-private support totals apply only to 4-year institutions.

CHART 9

Voluntary Support of Higher Education By Control of Institution



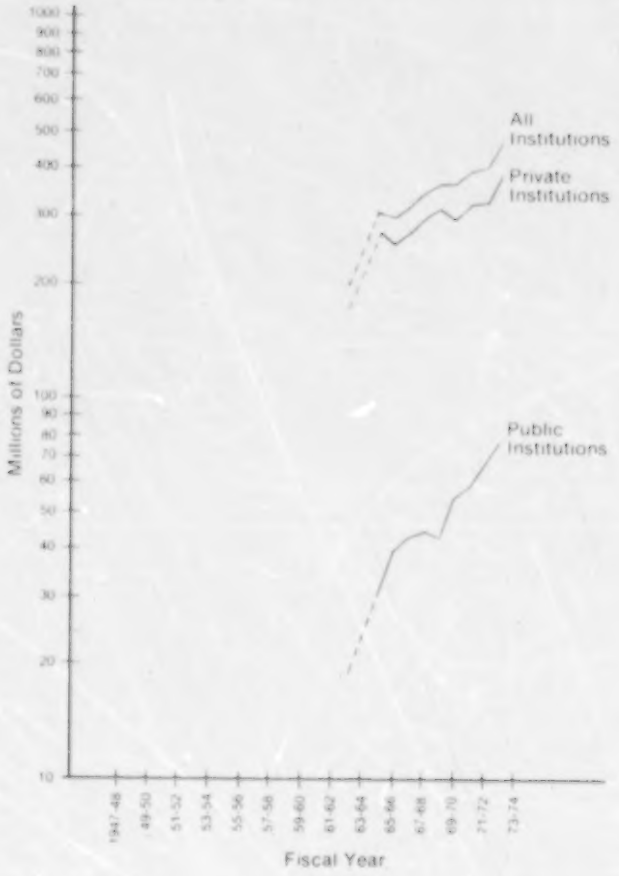
Source—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

Note—Public-private support totals apply only to 4-year institutions.

CHART 10

Voluntary Support of Higher Education By Control of Institution

Nonalumni Individuals

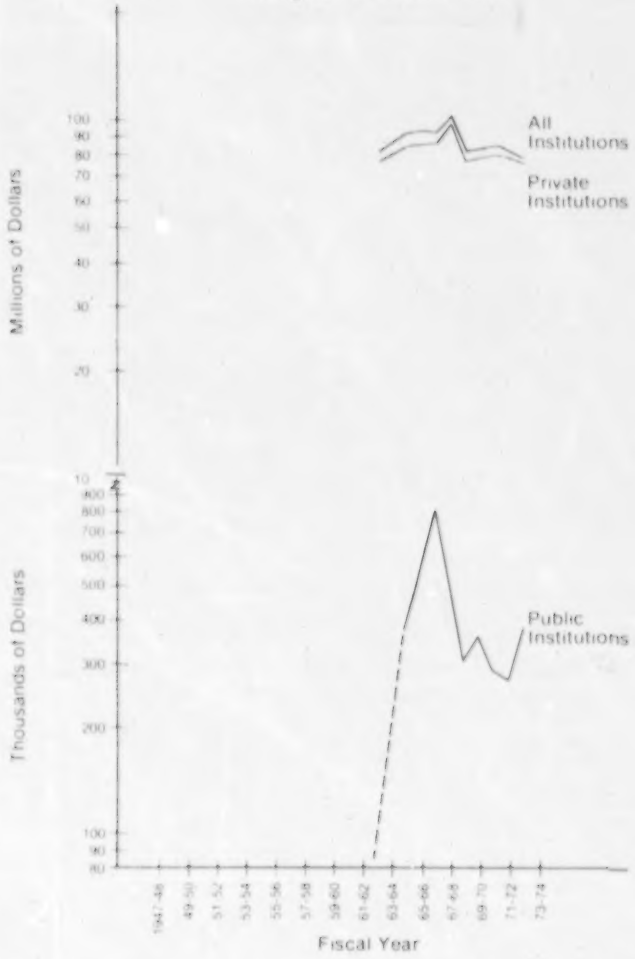


Source.—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

Note.—Public/private support totals apply only to 4-year institutions.

CHART 11

Voluntary Support of Higher Education
By Control of Institution



Source.—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

Note.—Public/private support totals apply only to 4-year institutions.

TABLE 3

Voluntary Support of Higher Education by Source

(Dollars in Thousands)

Year	Total	Alumni	Nonalumni Individuals	General Welfare Foundations	Business Corporations	Religious Denominations	Nonalumni Nonchurch Groups	Other Sources
1954-55	$ 289,542							
1956-57	738,118							
1958-59	626,584							
1960-61	802,986							
1962-63	911,363	$220,907	$197,179	$212,720	$146,688	$80,289	$38,093	$15,487
1964-65	1,244,815	248,401	309,692	357,601	173,986	90,115	45,326	19,694
1965-66	1,229,794	265,558	299,945	304,107	195,705	92,575	59,086	12,818
1966-67	1,269,968	277,746	319,918	289,532	213,194	91,536	59,948	18,094
1967-68	1,371,557	307,477	349,459	320,982	213,787	102,014	60,750	17,089
1968-69	1,460,878	352,652	366,146	352,321	220,569	81,275	65,690	22,226
1969-70	1,472,309	314,348	365,547	359,316	222,416	83,358	99,194	28,130
1970-71	1,503,837	372,962	390,266	341,079	210,949	84,827	77,924	25,830
1971-72	1,646,607	392,460	401,397	426,596	223,183	81,825	91,086	30,060
1972-73	1,750,989	418,016	469,087	409,926	249,764	78,131	90,133	35,933

Source.—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

TABLE 6

Voluntary Support of Higher Education by Source and Control of 4-Year Institutions

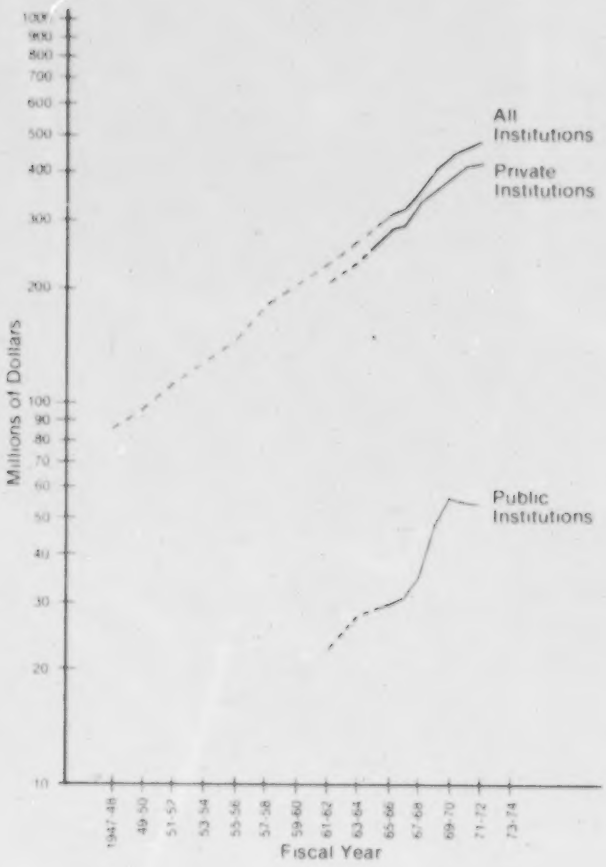
(Dollars in Thousands)

	Year	Total	Alumni	Nonalumni Individuals	General Welfare Foundations	Business Corporations	Religious Denominations	Other Groups and Sources
PUBLIC INSTITUTIONS	1962-63	$ 144,824	$ 26,310	$ 18,999	$ 34,010	$ 41,855	$ 84	$23,566
	1964-65	195,286	31,421	30,636	57,110	50,295	384	25,440
	1965-66	242,892	46,962	39,972	63,693	60,803	534	30,928
	1966-67	243,765	45,394	43,191	61,762	57,024	796	35,596
	1967-68	241,580	37,912	44,810	65,909	55,990	494	36,465
	1968-69	269,555	43,471	42,968	77,334	62,342	302	43,138
	1969-70	291,701	42,300	55,486	80,291	63,677	355	49,592
	1970-71	325,649	63,564	59,178	77,252	67,930	285	57,441
	1971-72	356,253	56,642	68,060	99,534	67,816	269	63,931
	1972-73	383,276	63,594	77,125	97,409	84,649	371	60,128
PRIVATE INSTITUTIONS	1962-63	749,869	192,258	173,666	176,373	103,191	75,172	29,209
	1964-65	1,031,728	215,442	274,460	297,289	122,112	83,509	38,916
	1965-66	966,416	216,483	254,887	238,367	132,675	84,026	39,977
	1966-67	1,007,459	229,556	271,117	225,203	154,543	85,639	41,400
	1967-68	1,110,553	267,645	297,170	252,192	155,716	97,239	40,590
	1968-69	1,170,360	306,298	316,160	272,666	156,052	76,761	42,421
	1969-70	1,154,735	269,891	295,408	277,415	157,023	78,342	76,655
	1970-71	1,155,959	307,285	323,368	259,326	141,569	79,667	44,743
	1971-72	1,267,337	332,853	325,223	322,764	153,504	78,024	54,971
	1972-73	1,342,423	350,894	385,384	307,759	160,465	75,156	62,766

Source.—American Council on Education, Policy Analysis Service, based on Council for Financial Aid to Education, *Voluntary Support of America's Colleges and Universities 1962-63* (New York: Council for Financial Aid to Education, 1964), pp. 58-59 and annual issues.

CHART 12

Endowment Income of Higher Education Institutions By Control of Institution



Sources.—American Council on Education, Policy Analysis Service, based on U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3-6, 37-41; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures, 1965-66* (Washington: U.S. Government Printing Office, 1969), p. 10 and annual issues; National Center for Educational Statistics, preliminary data provided by Mr. George Lind (245-7961).

TABLE 7

Endowment Income of Higher Education Institutions By Control of Institution

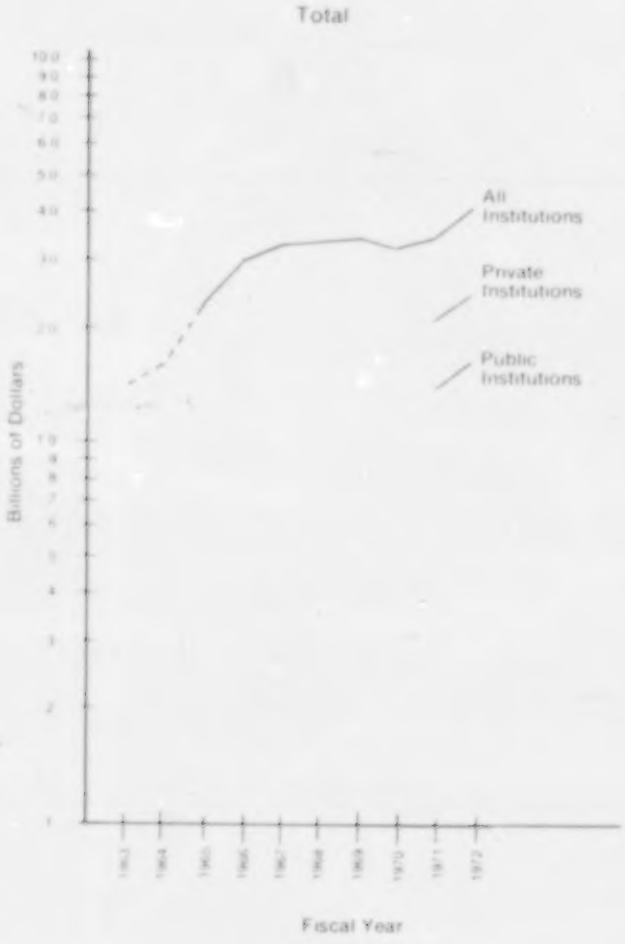
(Aggregate U.S.)
(Dollars in Thousands)

	All Institutions		Public Institutions		Private Institutions	
Year	*Amount*	*Percent*	*Amount*	*Percent*	*Amount*	*Percent*
1947-48	$ 86,708					
1949-50	96,370					
1951-52	112,927					
1953-54	127,533					
1955-56	145,040					
1957-58	181,638					
1959-60	206,666					
1961-62	232,341	100.0	$22,641	9.7	$209,700	90.3
1963-64	266,213	100.0	27,443	10.3	238,770	89.7
1965-66	316,292	100.0	29,949	9.5	286,344	90.5
1966-67	328,116	100.0	31,245	9.5	296,871	90.5
1967-68	364,046	100.0	35,842	9.8	328,205	90.2
1968-69	413,334	100.0	48,513	11.7	364,822	88.3
1969-70	447,329	100.0	57,084	12.8	390,244	87.2
1970-71	470,708	100.0	55,494	11.8	415,214	88.2
1971-72	480,920	100.0	55,235	11.5	425,685	88.5

Sources.—American Council on Education, Policy Analysis Service, based on U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), pp. 3-6, 37-41; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education: Current Funds Revenues and Expenditures, 1965-66* (Washington: U.S. Government Printing Office, 1969), p. 10 and annual issues; National Center for Educational Statistics, preliminary data provided by Mr. George Lind (245-7961).

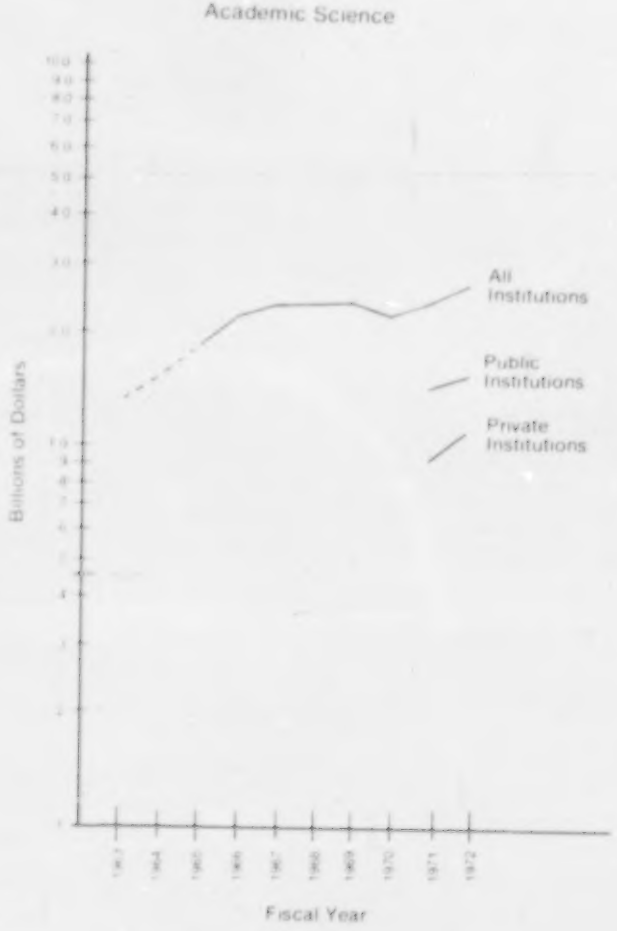
CHART 13

Federal Obligations for Higher Education
By Control of Institution



Source —National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington: U.S. Government Printing Office, 1972), pp. 46, 67-68, and preliminary data.

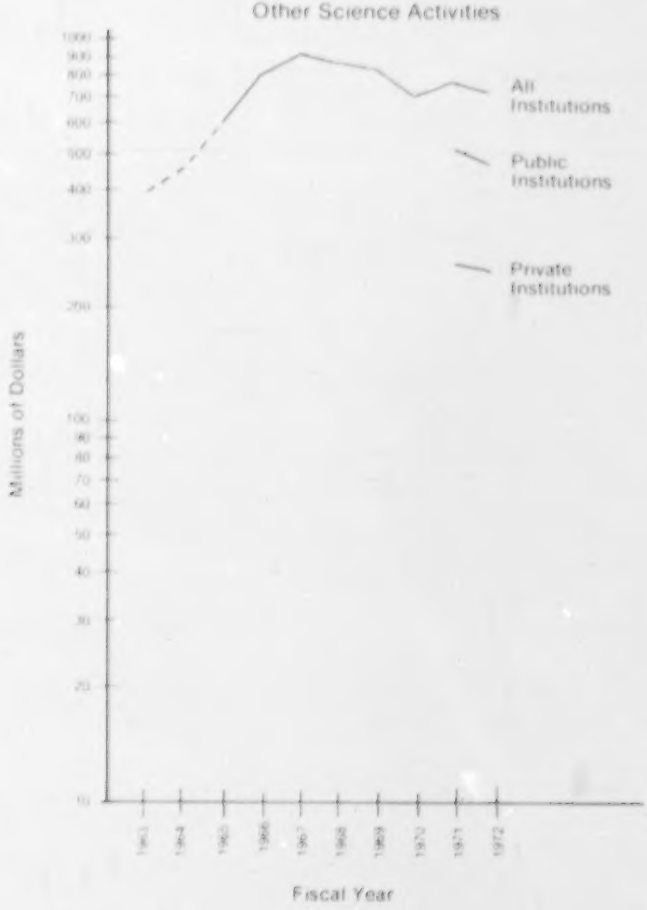
CHART 14
Federal Obligations for Higher Education
By Control of Institution



Source—National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington: U.S. Government Printing Office, 1972), pp. 46, 67-68, and preliminary data.

CHART 15

Federal Obligations for Higher Education By Control of Institution

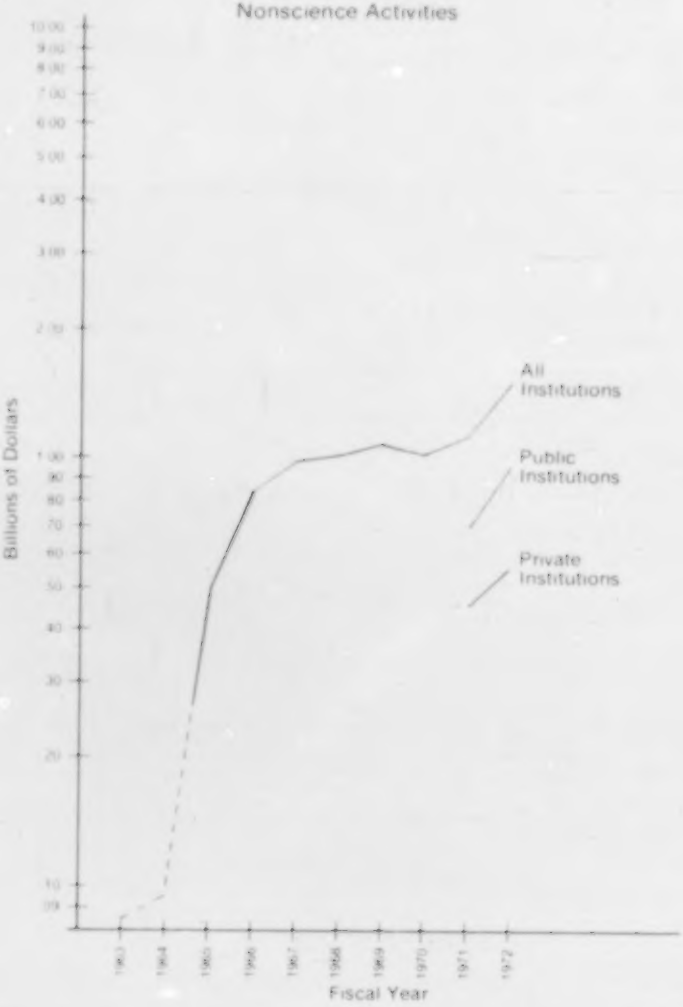


Source—National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington: U.S. Government Printing Office, 1972), pp. 46, 67-68, and preliminary data.

CHART 16

Federal Obligations for Higher Education By Control of Institution

Nonscience Activities

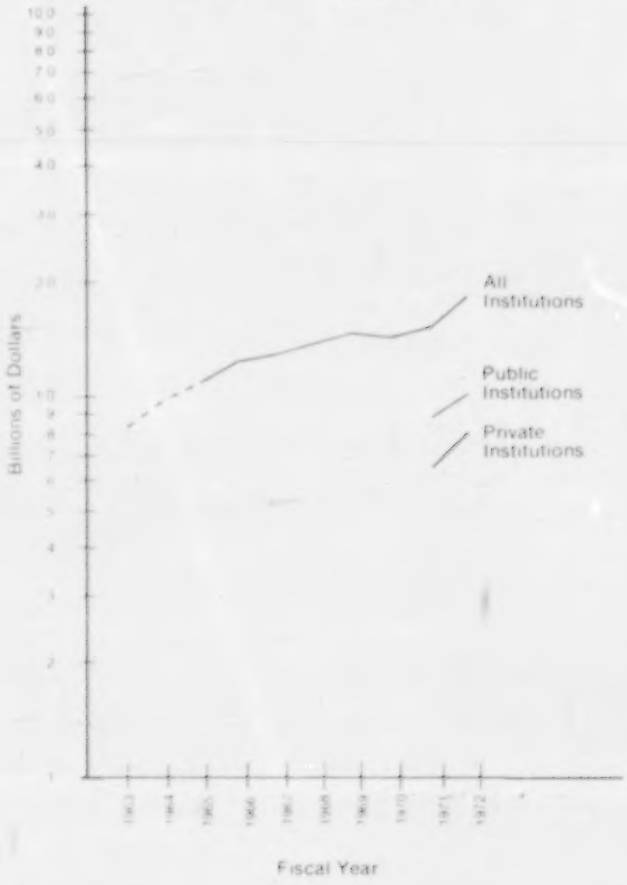


Source—National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington: U.S. Government Printing Office, 1972), pp. 46, 67-68, and preliminary data

CHART 17

Federal Obligations for Higher Education
By Control of Institution

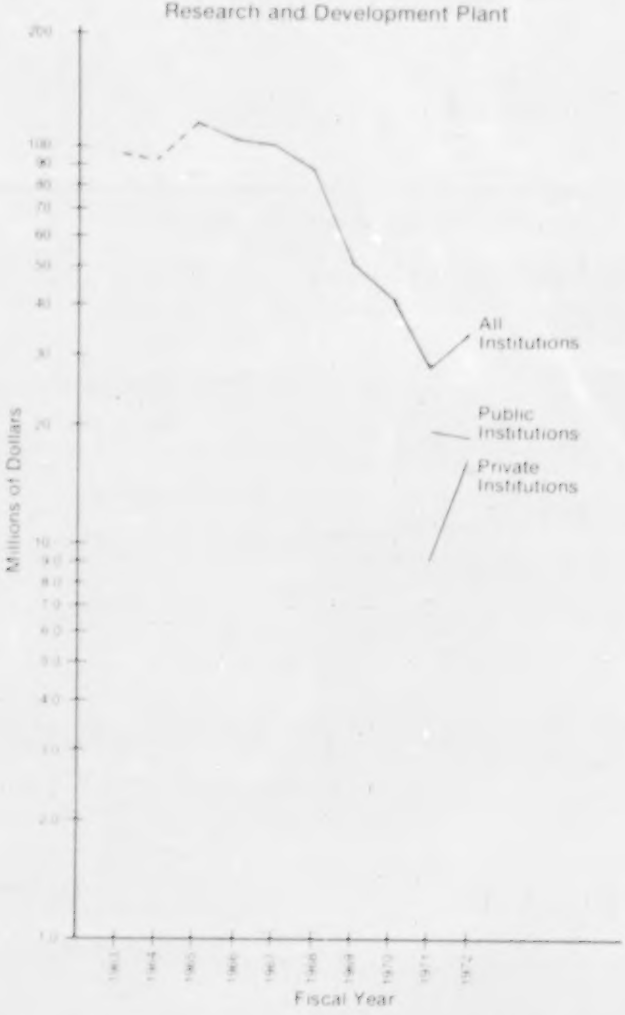
Research and Development



Source—National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington: U.S. Government Printing Office, 1972), pp. 46, 67-68, and preliminary data.

CHART 18

Federal Obligations for Higher Education By Control of Institution



Source: National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington, U.S. Government Printing Office, 1972), pp. 46, 67, 68, and preliminary data.

TABLE 8

Federal Obligations for Higher Education

(Dollars in Millions)

Year	Total	Academic Science	Research and Development	Research and Development Plant	Other Science Activities	Nonscience Activities
1963	$1,413.0	$1,328.5	$ 829.5	$105.9	$393.1	$ 84.5
1964	1,625.0	1,528.6	975.6	100.8	452.2	96.4
1965	2,305.5	1,816.2	1,095.0	126.2	595.0	489.3
1966	3,010.0	2,163.5	1,252.1	114.8	796.6	846.4
1967	3,311.1	2,323.8	1,301.2	111.3	911.2	987.3
1968	3,379.7	2,349.8	1,398.3	96.1	855.4	1,029.9
1969	3,453.3	2,361.4	1,474.7	54.5	832.2	1,091.9
1970	3,226.7	2,187.6	1,446.6	44.8	696.2	1,039.2
1971	3,480.2	2,335.9	1,544.1	29.9	761.8	1,144.3
1972	4,130.6	2,599.0	1,853.0	36.9	709.1	1,531.6

Source.—National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington: U.S. Government Printing Office, 1972), p. 46 and 1972 preliminary data.

TABLE 9

Federal Obligations for Higher Education By Control of Institution

(Dollars in Millions)

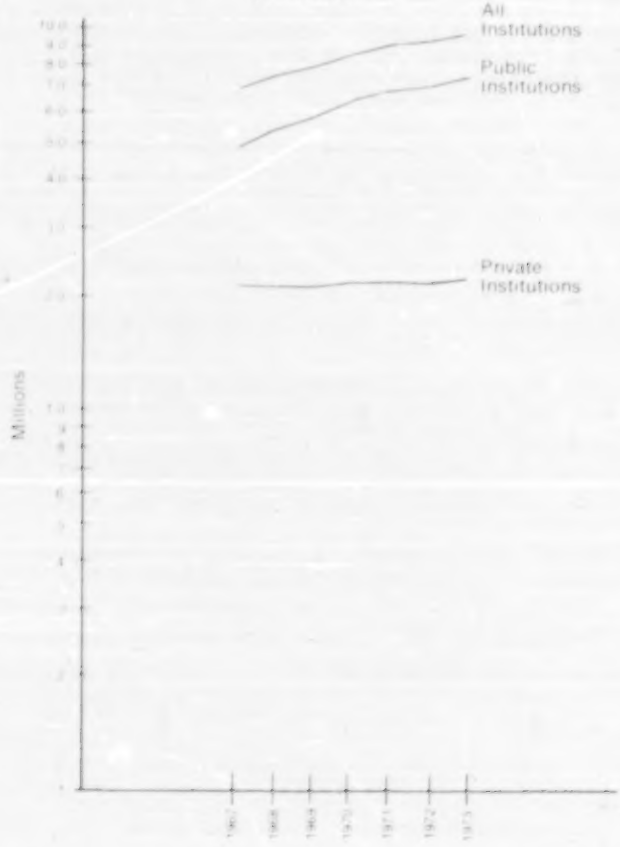
	FY 1971		FY 1972	
	Amount	*Percent*	*Amount*	*Percent*
All Institutions				
Total	$3,480.2	100.0	$4,130.6	100.0
Academic Science	2,335.9	100.0	2,599.0	100.0
Research and Development	1,544.1	100.0	1,853.0	100.0
Research and Development Plant	29.9	100.0	36.9	100.0
Other Science Activities	761.8	100.0	709.1	100.0
Nonscience Activities	1,144.3	100.0	1,531.6	100.0
Public Institutions				
Total	2,105.6	60.5	2,487.4	60.2
Academic Science	1,415.5	60.6	1,518.0	58.4
Research and Development	886.4	57.4	1,033.6	55.8
Research and Development Plant	20.5	68.6	19.6	53.1
Other Science Activities	508.6	66.8	464.8	65.5
Nonscience Activities	690.1	60.3	969.3	63.3
Private Institutions				
Total	1,374.6	39.5	1,643.2	39.8
Academic Science	920.4	39.4	1,081.0	41.6
Research and Development	657.7	42.6	819.4	44.2
Research and Development Plant	9.4	31.4	17.3	46.9
Other Science Activities	253.2	33.2	244.3	34.5
Nonscience Activities	454.2	39.7	562.3	36.7

Source.—National Science Foundation, *Federal Support to Universities, Colleges, and Selected Nonprofit Institutions, Fiscal Year 1971* (Washington: U.S. Government Printing Office, 1972), pp. 46, 67-68, and preliminary data.

Note.—Federal obligations are not available by control of institution prior to FY 1971.

CHART 19

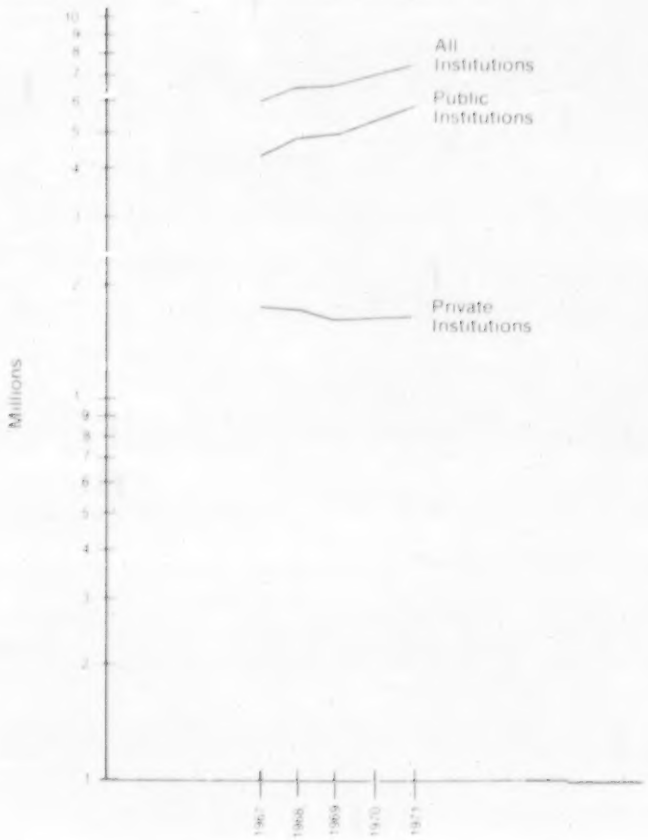
Enrollment in Institutions of Higher Education
By Control of Institution
All Students
(Head Count)



Source.—American Council on Education, *A Fact Book on Higher Education*, First Issue, 1974, Table 74.9 based on U.S. Office of Education, *Opening Fall Enrollment in Higher Education* series.

CHART 20

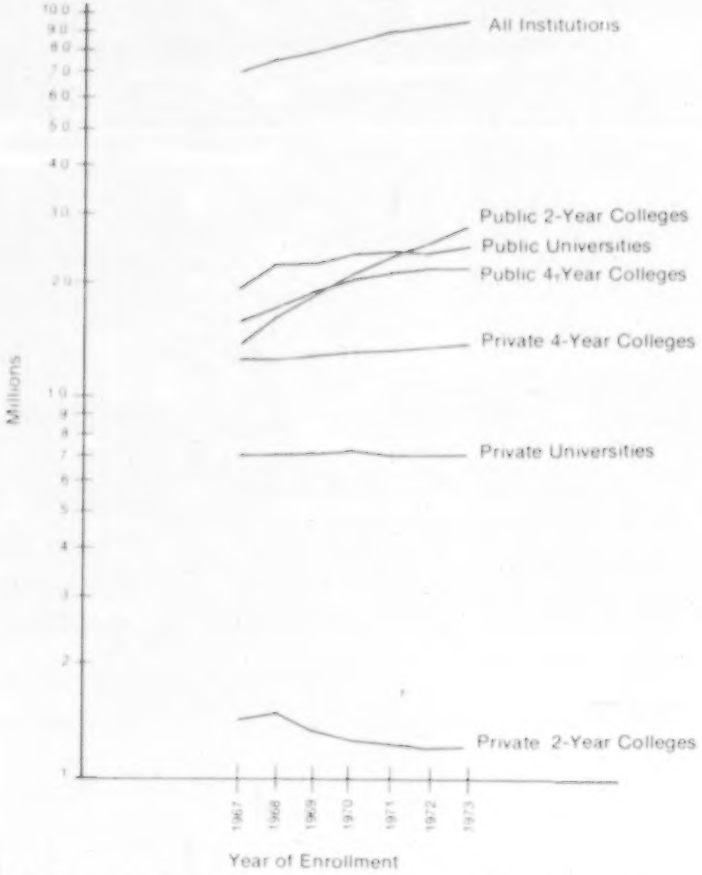
Undergraduate Enrollment in Higher Education
By Control of Institution
All Students
(Head Count)



Sources.—Enrollment figures compiled by the Policy Analysis Service of the American Council on Education from U.S. Office of Education sources including *Opening Fall Enrollment in Higher Education* (Washington: U.S. Government Printing Office, 1967), p. 6 and following years; *Opening Fall Enrollment in Higher Education: Part A—Summary Data*, 1968, p. 6; *Fall Enrollment in Higher Education, Supplementary Information, Summary Data*, 1969, p. 14; *Fall Enrollment in Higher Education, Supplementary Information, Summary Data*, 1970, p. 13; *Fall Enrollment in Higher Education*, 1971, p. 1; Preliminary data, December 1972.

CHART 21

Enrollment in Higher Education
By Type and Control of Institution
All Students
(Head Count)



Sources.—Enrollment figures compiled by the Policy Analysis Service of the American Council on Education from U.S. Office of Education sources including *Opening Fall Enrollment in Higher Education* (Washington: U.S. Government Printing Office, 1967), p. 6 and following years: *Opening Fall Enrollment in Higher Education: Part A—Summary Data*, 1968, p. 6; *Fall Enrollment in Higher Education, Supplementary Information, Summary Data*, 1969, p. 14; *Fall Enrollment in Higher Education, Supplementary Information, Summary Data*, 1970, p. 13; *Fall Enrollment in Higher Education*, 1971, p. 1; Preliminary data, 1974.

TABLE 10

Enrollment at Institutions of Higher Education
By Control of Institution
All Students
(Head Count)

	Total		Public		Private	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*
1967						
Total	6,963,687	100	4,850,330	70	2,113,357	30
Universities	2,619,097	100	1,903,365	73	715,732	27
4-Year Colleges	2,826,511	100	1,572,295	56	1,254,216	44
2-Year Colleges	1,518,079	100	1,374,670	91	143,409	9
1968						
Total	7,571,636	100	5,469,472	72	2,102,164	28
Universities	2,787,682	100	2,083,628	75	704,054	25
4-Year Colleges	2,987,528	100	1,738,180	58	1,249,348	42
2-Year Colleges	1,796,426	100	1,647,664	92	148,762	8
1969						
Total	8,066,233	100	5,939,513	74	2,126,720	26
Universities	2,940,691	100	2,233,766	76	706,925	24
4-Year Colleges	3,144,392	100	1,857,837	59	1,286,555	41
2-Year Colleges	1,981,150	100	1,847,910	93	133,240	7

[Continued]

TABLE 10 [*Continued*]

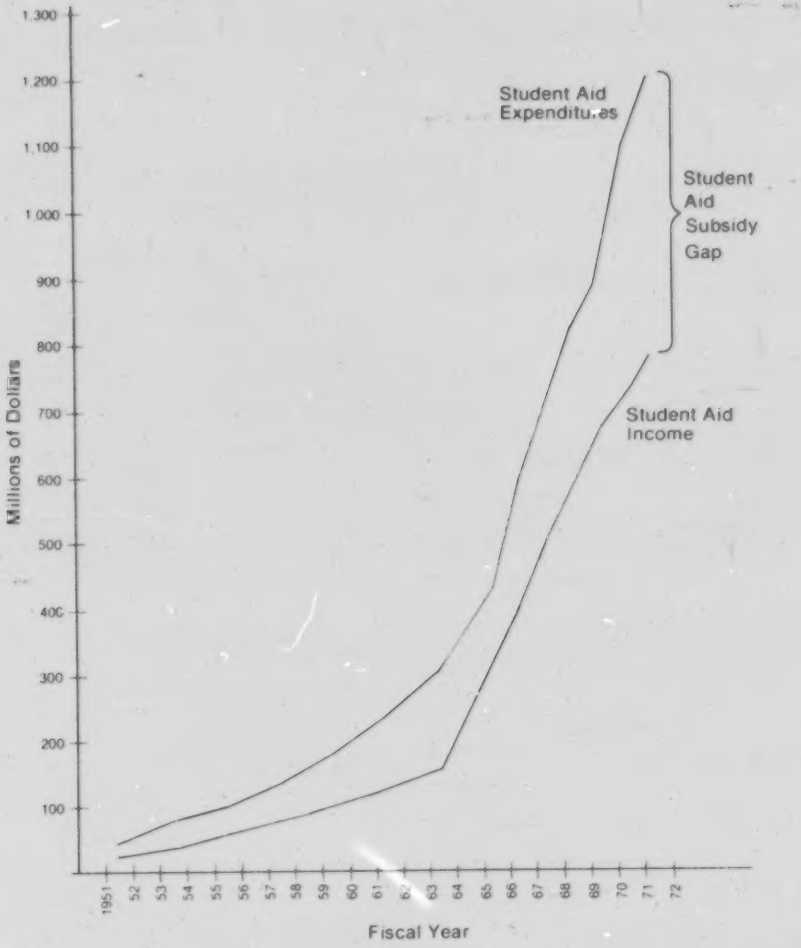
	Total		Public		Private	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*
1970						
Total	8,649,368	100	6,476,058	75	2,173,310	25
Universities	3,076,941	100	2,350,204	76	726,737	24
4-Year Colleges	3,345,213	100	2,023,882	61	1,321,331	39
2-Year Colleges	2,227,214	100	2,101,972	94	125,242	6
1971						
Total	9,025,031	100	6,854,685	76	2,170,346	24
Universities	3,080,276	100	2,372,551	77	707,725	23
4-Year Colleges	3,453,335	100	2,115,522	61	1,337,813	39
2-Year Colleges	2,491,420	100	2,366,612	95	124,808	5
1972						
Total	9,297,787	100	7,122,875	77	2,174,912	23
Universities	3,093,006	100	2,386,751	77	706,255	23
4-Year Colleges	3,533,847	100	2,182,591	62	1,351,256	38
2-Year Colleges	2,670,934	100	2,553,533	96	117,401	4
1973						
Total	9,662,763	100	7,459,604	77	2,203,159	23
Universities	3,193,281	100	2,487,698	78	705,583	22
4-Year Colleges	3,552,229	100	2,178,420	61	1,373,809	39
2-Year Colleges	2,917,253	100	2,793,486	96	123,767	4

Sources.—U.S. Office of Education, *Opening Fall Enrollment in Higher Education* (Washington: U.S. Government Printing Office, 1967), p. 7 and following years: 1968, p. 6; 1969, p. 11; 1970, p. 13; 1971, p. 14; National Center for Educational Statistics, preliminary data, 1974.

CHART 22

Student Aid Subsidy

All Institutions



Sources —U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), p. 3; U.S. Office of Education, *Financial Statistics of Institutions of Higher Education, Current Funds Revenues and Expenditures, 1965-66* (Washington: U.S. Government Printing Office, 1969), p. 10 and annual issues: 1966-67, p. 13; 1967-68, p. 11; 1968-69, p. 16; 1969-71: prepublication data (April 6, 1973), Table 1, and Mr. George Lind (245-7961).

TABLE 11

Student Aid Income and Expenditures at Institutions of Higher Education

(Aggregate U.S.)
(Dollars in Thousands)

	1949-50	1951-52	1953-54	1955-56	1957-58	1959-60	1961-62	1963-64	1965-66	1966-67	1967-68
Student Aid Income[a]	16,288	21,058	32,918	53,039	71,442	94,248	120,216	150,871	313,403	398,169	503,888
Public	4,904	6,799	10,355	24,077	33,337	41,907	53,253	65,453	140,173	202,849	263,608
Private	11,384	14,260	22,564	28,960	38,104	52,342	66,962	85,418	173,230	195,320	240,280
Student Aid Expenditures[b]	na	39,795	74,789	96,224	131,386	173,963	231,275	303,371	429,225	587,354	718,675
Public		8,474	25,127	32,328	46,739	61,551	80,575	110,498	156,439	251,489	332,122
Private		31,321	49,661	63,896	84,647	112,412	150,699	192,874	272,786	335,865	386,553
Student Aid Subsidy Gap[c]	na	18,737	41,871	43,185	59,944	79,715	111,059	152,500	115,822	189,185	214,787
Public		1,675	14,772	8,251	13,402	19,644	27,322	45,045	16,266	48,640	68,514
Private		17,061	27,097	34,936	46,543	60,070	83,737	107,456	99,556	140,545	146,273
Ratio of Student Aid Income to Student Aid Expenditures	na	.53	.44	.55	.54	.54	.52	.50	.73	.68	.70
Public		.80	.41	.74	.71	.68	.66	.59	.90	.81	.79
Private		.45	.45	.45	.45	.47	.44	.44	.64	.58	.62
Ratio of Subsidy to Income	na	.89	1.27	.81	.84	.85	.92	1.01	.37	.48	.43
Public		.25	1.43	.34	.40	.47	.51	.69	.12	.24	.26
Private		1.20	1.20	1.21	1.22	1.15	1.25	1.26	.57	.72	.61

*Beginning of period of enactment of new federal student financial assistance programs.

[a]Current-fund income to institutions of higher education specifically designed or earmarked for student aid. It does not include veterans' benefits.

[b]Total amounts of student financial aid channeled through institutions.

[c]Amounts of financial aid provided to students by institutions from institutional funds.

[Continued]

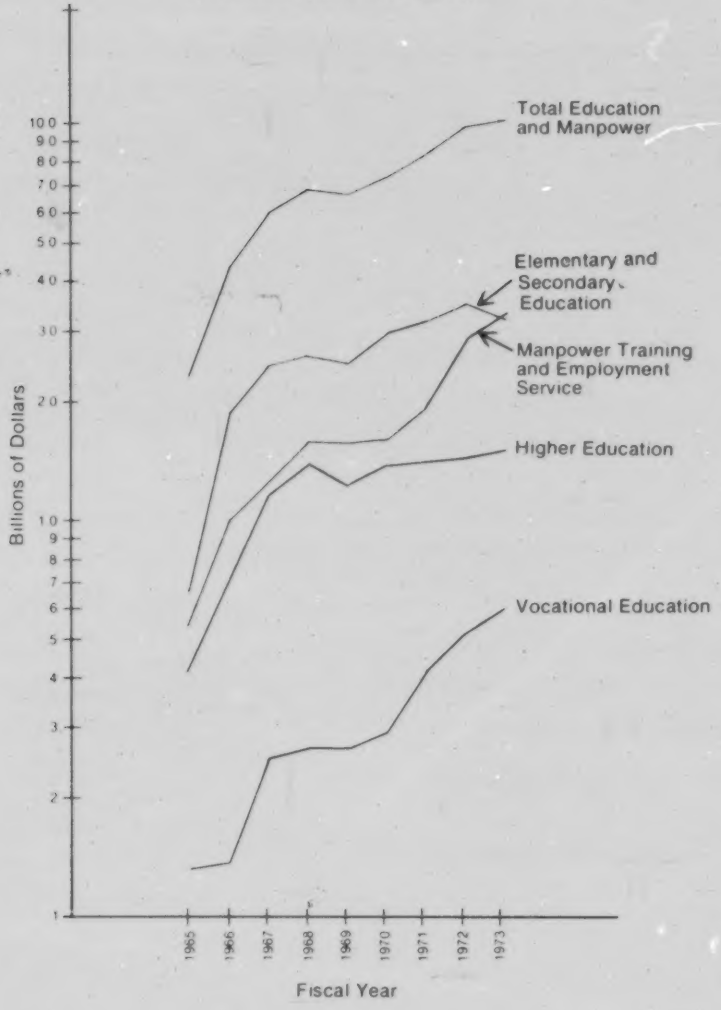
TABLE 11 [*Continued*]

	1968-69	1969-70	1970-71	1971-72	1965-1972 Total
Student Aid Income[a]	578,779	668,079	720,524	780,981	
Public	299,402	356,281	399,260	426,735	
Private	279,377	311,797	321,264	354,246	
Student Aid Expenditures[b]	823,202	993,632	1,110,087	1,256,280	
Public	374,306	464,532	536,531	630,734	
Private	448,896	529,100	573,556	625,546	
Student Aid Subsidy Gap[c]	244,423	325,553	389,563	472,411	1,954,632
Public	74,904	108,251	137,271	203,999	657,845
Private	169,519	217,303	252,292	271,300	1,296,788
Ratio of Student Aid Income to Student Aid Expenditures	.70	.67	.65	.62	
Public	.80	.77	.74	.68	
Private	.62	.59	.56	.57	
Ratio of Subsidy to Income	.42	.49	.54	.60	
Public	.25	.30	.34	.48	
Private	.61	.70	.78	.77	

Sources.—U.S. Department of Health, Education, and Welfare, Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington: U.S. Government Printing Office, 1968), p. 3; U.S. Department of Health, Education, and Welfare, Office of Education, *Financial Statistics of Institutions of Higher Education, Current Funds Revenues and Expenditures, 1965-66* (Washington: U.S. Government Printing Office, 1969), p. 10 and annual editions: 1966-67: p. 13; 1967-68: p. 11; 1968-69: p. 16; 1969-71 prepublication data (April 6, 1973), Table 1, and Mr. George Lind (245-7961).

CHART 23

Federal Outlays for Education and Manpower: Selected Sectors 1965 to 1973



Source —*The United States Budget in Brief: Fiscal Year 1975.* (Washington: U.S. Government Printing Office), p. 51.

TABLE 12

Federal Budget Outlays for Education and Manpower Functions

(Dollars in Billions)

	1965	1966	1967	1968	1969	1970	1971	1972	1973
Total outlays	118.4	134.7	158.3	178.8	184.5	196.6	211.4	231.9	246.5
Total education and manpower	2.3	4.3	5.9	6.7	6.5	7.3	8.2	9.8	10.2
Manpower training and employment service	.5	1.0	1.2	1.6	1.6	1.6	2.0	2.9	3.3
Elementary and secondary education	.6	1.8	2.4	2.6	2.5	2.8	3.2	3.5	3.2
Higher education	.4	.7	1.2	1.4	1.2	1.4	1.4	1.4	1.5
Vocational education	.1	.1	.2	.3	.3	.3	.4	.5	.6

Source.—*The United States Budget in Brief: Fiscal Year 1975.* (Washington: U.S. Government Printing Office), p. 51.

Note.—Generally, budget outlays are defined as the "spending side of the Federal Budget." Technically, federal outlays are payments in the form of the issuance of checks or the disbursement of cash to liquidate obligations of the Federal Government. These figures on direct federal outlays for education and manpower do not include: (1) federal funds for Social Security or veterans' benefits payments to which participants in education or training programs may be entitled; or (2) federal outlays for research and development conducted at educational institutions.

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Chapter 4

EQUITY AND THE MIDDLE CLASS

Larry L. Leslie and Gary P. Johnson

Introduction: Some Initial Considerations

Here, baldly stated, is the issue to which this paper is addressed: Is there equity, by income level, in the recently proposed schemes for altering present patterns of financing American higher education?

Most notably, the Carnegie Commission on Higher Education[1] and the Committee for Economic Development (CED)[2] have issued reports urging a significant raise in tuition in public institutions of postsecondary education, for the principal purpose of freeing federal and state resources normally appropriated for institutional aid. These resources would be redirected to grants and loans for low-income students. Both reports explicitly assume that governmental appropriations to institutions are, in fact, subsidies to individuals. Because many of these individuals could afford to (and would) pay a considerably larger portion of the costs of higher education, governmental appropriations are, therefore, merely transfer payments, "wasted" public resources. Furthermore, the reports assert, this change in financing policy would result in a more equitable distribution by income level of the total costs of higher education.

Simply stated, the countervailing argument, verbalized by Congressman O'Hara, is that middle-income families are already bearing their fair share of the costs of postsecondary education; to assess them more in the form of higher tuitions, would be grossly inequitable if governmental grants were denied and only high-interest loans offered as aid.

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[1] Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw-Hill, 1973).

[2] Committee for Economic Development, *The Management and Financing of Colleges* (New York: CED, 1973).

To the present, the justification offered in support of this opposing view has been largely rhetorical. Although there have been efforts to assemble small pieces of the relevant data regarding who pays for higher education, there have been few wholistic efforts. This paper sets out to assess how costs would be redistributed under the Carnegie and CED proposals. It examines the issue of equity from a broader perspective: What would be the likely impact of these proposals upon the various income groups?

The Carnegie and CED Plans

The documents that brought the equity issue to the forefront were the reports of the Carnegie Commission on Higher Education and the Committee for Economic Development (CED). Both reports purport to show that new financing patterns for higher education are mandated because of the existing inequity to lower-income groups. Correcting these alleged inequities is the primary orientation of both reports.

The Carnegie Report recommends the raising of public college and university tuition to one-third of institutional *costs*,[3] from the present level, which they estimate to be 17 percent.[4] (Actually, an examination of the Carnegie calculations shows that institutional *income*, not costs, was the calculation base and that tuition was considered as net of any direct student subsidies used for tuition purposes. Thackrey estimates that using gross tuition figures, as the Commission apparently intended, and basing calculations on the *cost of instruction*, the correct percentage would be well in excess of the 33 percent figure advocated by the Commission.)[5] This increase in tuition would be offset for lower-income students through increasing Basic Educational Opportunity Grants (BEOGs) to a level where BEOG students would receive up to 75 percent of the costs for lower-division enrollment.[6] Further, the states would be induced to develop a parallel program.[7] Middle-income students, on the other hand, would be

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[3]Carnegie Commission, p. 10. Hartman estimates that the median student would pay an additional tuition of $565 in 1970-71. See Robert W. Hartman, "Future Financing of Post-Secondary Education," (Commentary presented at the annual conference of the American Council on Education, October 1973), p. 3.

[4]Carnegie Commission, p. 16.

[5]Russell I. Thackrey, "Comments on the Carnegie Commission Report: *Higher Education: Who Benefits? Who Pays? Who Should Pay?*" (Presented at the annual conference of the National Association of State Universities and Land-Grant Colleges, November 1973), p. 6.

[6]Carnegie Commission, p. 111.

[7]Ibid., p. 112.

provided with the opportunity for income contingency loans, the terms and condition of repayment being dependent upon later earnings.[8] Presumably, these loans would be at the market rate of interest, but this interest would not be waived during the student years, as present federal policy allows; instead the interest would be deferred and amortized over the life of the loan.[9] Although there are many other provisions of the Carnegie report, these appear to be the major ones bearing upon equity.

The Committee for Economic Development report varies from the Carnegie only in degree. Actually, the CED report would be the less extreme, if the Carnegie calculations and not the written recommendations were followed. Under the CED proposal, tuition would be raised to 50 percent of instructional costs, within 5 years[10] rather than the 10 specified by Carnegie.[11] Tuition at public 2 year institutions would reach this level within 10 years under the CED plan, whereas the Carnegie Commission would differentiate tuition by level of enrollment, keeping tuition low for the first 2 years. Again, higher tuitions would mean extensive grant and loan subsidies to low-income students. Although the CED's loan proposal is not explicitly stated, it would follow the income-contingent plan of the Carnegie Commission.[12]

The CED offers a grant schedule; the Carnegie Commission does not. The CED states that "students whose family incomes were below $8,000 (actually $8,600) would have grants exceeding the average tuition increases for all types of public institutions."[13] In other words, to show a gain under the CED plan, a student's family would have to earn this amount or less. Otherwise, even though the student might receive a grant, the amount would be less than required to offset the rise in tuition. The Carnegie Commission, on the other hand, apparently would leave the determination of the grant schedule to the U.S. Office of Education as specified by the Education Amendments of 1972.[14]

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[8] Ibid., p. 119.

[9] Ibid., p. 120.

[10] Committee for Economic Development, p. 69.

[11] Carnegie Commission, p. 11.

[12] Ibid., pp. 67-168.

[13] Committee for Economic Development, p. 84.

[14] Carnegie Commission, p. 6.

TABLE 1

Average Grant Amounts Received by Students from Various Family Income Levels under the CED Plan

Family Income	Average Annual Grant Amount
$ 4,000	$1,350
6,000	1,000
8,000	675
10,000	338
12,000	0

Source —Committee for Economic Development, *The Management and Financing of Colleges* (New York: CED, 1973), p. 84.

TABLE 2

Distribution of Basic Grants and Educational Opportunity Grants, 1970-71

	Basic Grant[a]	
Income Class	*Students Aided*	*Average Grant*
Under $3,000	132,000	$929
$3,000-$5,999	384,000	973
$6,000-$7,499	353,000	920
$7,500-$8,999	358,000	820
Over $9,000	781,000	395
TOTAL	2,008,000	

Source —Robert W. Hartman, *Higher Education Subsidies: An Analysis of Selected Programs in Current Legislation* (Washington: The Brookings Institution, 1972), Table 4, p. 471.

[a]Based on 1971 CSS tables, no induced enrollment.

A number of estimates have been made of the distribution and amount of grants awarded under the authorizations of the Education Amendments and of related plans. All these estimates are quite similar because they rely upon the College Scholarship Service's methods for estimating student needs. Thus, Hartman's analysis of the Senate version of the higher education legislation predicted an average subsidy of from $395 to $973 for the categories considered. Hansen and Weisbrod take these estimates a step further in presenting their "Wisconsin Plan" for full-cost tuition. Again using the CSS techniques, and assuming approximately the same break-even point ($8,500) as that computed by the CED, Hansen and Weisbrod show the average monetary loss or gain by family income level. The redistribution effects would be an average gain of $600 for students at the lowest income level and an average loss of $950 for those earning $12,500 and over. In comparison to the present, students in the latter category would be on the average $1,550 relatively worse off than students in the former category.

TABLE 3

Redistribution Effects of Higher Education Opportunity Program

(Based on gross family income before taxes)

Family Income Level	Percentage Distribution of Student-Families	Average Effect by Family Income Level
Under $5,000	16	+600
$5,000-$7,499	19	+400
$7,500-$9,999	20	- 50
$10,000-$12,499	13	-500
$12,500 and over	32	-950

Source.—W. Lee Hansen and Burton A. Weisbrod, "A New Approach to Higher Education Finance," in M. D. Orwig (Ed.), *Financing Higher Education: Alternatives for the Federal Government* (Iowa City, Iowa: The American College Testing Program, 1971), Table 1, p. 128.

Although the Basic Educational Opportunity Grant Program is by no means as yet fully funded, certain patterns have begun to develop. Among dependent applicants whose family incomes were in all categories less than $9,000, three-fourths or more received grants in 1973. For applicants in the $9,000 to $12,000 income range, approximately 55 percent qualified for grants; above the $12,000 income range, less than 14 percent qualified.[15] For all recipients the average award was $260; the maximum, $452.[16]

Who Goes to College and Why?

The primary evidence generally cited to show that higher education is not equally accessible to all income groups is the tabulation of college attendance by income level. This evidence shows quite clearly that lower income persons attend college in much smaller proportions than members of middle and especially upper income families. Table 4 shows that among families with members of college age in 1971, 59 percent of those with incomes of $15,000 or more had a member attending college full time as compared with 14 percent of those with incomes under $3,000.

TABLE 4

Families with Members 18 to 24 Years, Full-Time College Attendance and Family Income (October 1971)

(In thousands; civilian noninstitutional population)

Family Income[a]	Total Families with Members 18 to 24 Years[b]	With Members in College Full Time	
		Number	*Percent*
Total	9,644	3,688	38.3
Under $3,000	731	102	14.0
$3,000-$4,999	935	202	21.6
$5,000-$7,499	1,310	379	38.9
$7,500-$9,999	1,448	485	33.5
$10,000-$14,999	2,382	1,004	42.1
$15,000 and over	2,129	1,255	58.9
Not reported	709	261	36.8

Source —*Current Population Reports*, Special Studies, Characteristics of American Youth: 1972 (Washington: U.S. Department of Commerce, Bureau of the Census, 1973), Series P-23, Table 17, p. 20.

[15] The College Entrance Examination Board, Unpublished document (Washington, D.C., October 1973), Table 2.

[16] Ibid., p. 4.

Table 5, however, shows that only at the extreme ends of the income distribution is the percentage of families with students in college drastically at odds with the percentage of such families in the population. In the middle-income groups both percentages are about the same. About as many students attend college as would be expected purely on the basis of their numbers in the population.

TABLE 5

Income Distribution: Families and Unrelated Individuals with Principal Earner Aged 45 to 54 in 1965; and Families with Children Entering College, Fall 1966

Income	All Families (%)	All College Families (%)
Less than $4,000	15.5	6.6
$4,000-$5,999	14.6	12.9
$6,000-$7,999	17.9	17.3
$8,000-$9,999	15.6	16.9
$10,000-$14,999	24.0	25.2
$15,000-$24,999	9.8	14.0
$25,000 and over	2.7	7.1
Total	100.1	100.0

Source.—*Current Population Reports*, Series P-60, No. 51.

Nevertheless, these data generally lead to the conclusion that low-income persons do not attend college primarily because they cannot afford to. This quantum leap in logical thinking confuses relationships or correlations with causes. That an inequity exists somewhere in the social order seems inescapable from these data, but the data do not demonstrate that the causal factor is an inequity in financing higher education.

The question of who goes to college and why has been explored carefully and reported in the literature of higher education for at least 2 decades. The one unmistakable conclusion from this research is that there is no simple, single explanation why some individuals go to college and others do not. Such variables as geographic proximity to a college, family income, sex, geographic origin, peer values, ability,[1] and perhaps, most important, "the

[1] Irving Krauss, "Educational Aspirations of Working-Class Youth," *ASR* 29 (1964), 867-79; Robert E. Herriott, "Some Social Determinants of Educational Aspirations," *Harvard Educational Review* 33 (Spring 1963), 157-77; Alexander W. Astin, "Who Goes Where to College?" in *Who Goes Where to College?* (Chicago: Science Research Associates, 1965), pp. 27-53.

cultural and educational traditions, ambitions, and hopes of the family"[18] enter into this determination, but no factor is so powerful as to indicate simplistic policy solutions to the problem of encouraging collegiate attendance.

The Unsatisfactory Nature of the Benefit-Cost Framework for Determining Equity

Prior to determining whether there is equity in who pays and who benefits by income level, it is necessary to review whether there is equity between society and the individual, the two entities used in the cost-benefit model as applied to higher education. This analysis reasons that if society largely benefits from higher education, society should pay the major portion of the bill; if the individual largely benefits, the individual should pay. According to this approach to equity assessment, the case for low or higher tuition can be made only when the major beneficiary is determined. (The analysis often fails to consider that all resources originate ultimately with the individual.)

There are voluminous discussions and tabled calculations of the portion each sector, society and the individual, pays of the total cost of higher education. Detailed analyses exist showing the breakdown of all public (governmental) contributions[19] and of student costs.[20] Although there are some differences in the upper limits of the range of estimates, it is commonly accepted that the individual and his or her family assume at least two-thirds of the total costs of higher education, including forgone income.[21] The remaining one-third is paid by society.

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[18] G. E. Hill, "College Proneness, A Guidance Problem," *Personnel Guidance Journal*, 33 (1954), 70-73.

[19] See, for example, Committee for Economic Development, pp. 75-80.

[20] See, for example, Howard R. Bowen and Paul Servelle, *Who Benefits from Higher Education--And Who Should Pay?* (Washington, D.C.: The American Association for Higher Education, 1972), pp. 31-32.

[21] Carnegie Commission, p. 3; Howard R. Bowen, *The Finance of Higher Education* (Berkeley: Carnegie Commission on Higher Education, 1968); Howard R. Bowen, "Finance and the Aims of American Higher Education," in M.D. Orwig, Ed., *Financing Higher Education: Alternatives for the Federal Government* (Iowa City, Iowa: The American College Testing Program, 1971); Committee for Economic Development, p. 26. Note: The CED puts the figure at 57 percent exclusive of forgone income, which, if included, would raise this figure to at least a two-thirds level. Forgone income is almost uniformly included by the economic community as a cost of higher education.

But this proportion has no meaning without the other half of the equation: Who benefits? Unfortunately at this point the discussion is faced toward mere speculations. Estimates of the individual benefits of higher education are quite good, being rather uniformly calculated at between 9 and 11 percent.[1] Based upon these figures alone, it has been asserted often that the individual should pay more of the higher education cost because the approximate 9 to 11 percent represents a handsome rate of return on the educational investment. And so it would seem.

But what is society's return on its investment?[2] Herein lies the key to the equity issue and the point at which the analysis breaks down. If society's rate of return is less than 9 to 11 percent, perhaps the two-thirds/one-third distribution of costs is equitable. But if society's return is equal to or greater than the individual's return, society should pay more than it now does. Unfortunately, there are no well-accepted estimates of the social returns, primarily because many social benefits seem unsuitable to quantification.

Very few doubt the existence of social benefits of higher education, but the actual worth of these benefits is seldom estimated. Because they cannot be measured easily, a few economists question their very existence, while other persons place their value at almost 100 percent of all benefits accrued (e.g., most European nations make this implicit assumption by selecting only the elite for college and then paying the total monetary costs of attendance plus *per diem* expenses). For what it is worth, Gary Becker estimates the social rate of return from higher education at between 8 and 20 percent.[3]

The Carnegie Commission believes that public financial support of higher education is likely to decline in the long run, as incomes rise, as educational deprivation ceases, and as deficits in highly trained manpower disappear.[4] No doubt this is the expected outcome. However, as the need for professional manpower declines, so should the financial return to the college-educated individual. With this would go the major justification for high tuitions. The present status of the PhD may be a good illustration of the Carnegie prediction. With the current PhD surplus, the rate of return to the

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[1] Bowen and Servelle, *Who Benefits From Higher Education—And Who Should Pay?*, p. 23.

[2] Ibid. Bowen provides an excellent summary discussion on the individual versus societal benefits of higher education.

[3] Gary S. Becker, "Under-Investment in College Education," *American Economic Review* (May 1960), pp. 346-54.

[4] Carnegie Commission, p. 13.

individual has shrunk to 4 percent.[26] (The eventual effects on enrollments should be considerable.)

Now to the second part of the who pays and who benefits question. The Carnegie Commission has developed the most thorough and directly relevant documentation of who pays for higher education by income level.[27] Table 6 shows the percentage of total monetary outlays for college by income quartile. As would be expected the results are linear. It should be

TABLE 6

Estimated Percentage of Total Monetary Outlays for College Education Met by Students and Parents

Parental Income Quartile[a]	1970-71 Contribution
Highest	52%
Second	40
Third	32
Lowest	24
Average	37

Source – Estimated by the Carnegie Commission staff. Carnegie Commission, Table 11, p. 40.

[a]According to ACE national norms, based on freshman survey questionnaires, the parental income levels dividing these quartiles were approximately $8,500, $12,000, and $18,000. For all students whose parents would average about 3 years older than the parents of freshmen only, these amounts should probably be increased by about 10 percent.

noted, however, that "monetary outlays" are not commonly accepted and commonly used as the indicator of higher education costs. Monetary outlays represent only a fraction of the total costs of higher education ($22 billion as opposed to $39 billion in 1970).[28]

The Commission also has examined the tax burden, finding local taxes almost invariably regressive, state taxes nearly proportional to income, and

[26]Allan M. Cartter, "The Future Financing of Postsecondary Education," (Paper presented to the annual conference of The American Council on Education, October 1973), p. 13.

[27]Carnegie Commission, *Higher Education: Who Pays? Who Benefits? Who Should Pay?*

[28]Ibid., p. 43.

federal taxes moderately progressive.[1] The effective tax rates by income group are shown in Table 7. These tax rates are progressive but only modestly so up to the $15,000 and over income group.

TABLE 7

Effective Tax Rates by Income Group: Federal Income Tax and Other Taxes Deductible for Federal Income Tax Purposes, 1970

Income Group	Federal Income Tax (%)	Other Deductible Taxes (%)	Combined Effective Rate (%)
Under $3,000	4.3	10.7	14.5
$3,000-$4,999	8.4	8.2	15.9
$5,000-$7,499	9.5	7.3	16.1
$7,500-$9,999	10.9	7.1	17.2
$10,000-$14,999	12.0	7.0	18.2
Over $15,000	18.8	7.0	24.5

Source — Computed from U.S. Internal Revenue Service, *Statistics of Income, 1970, Individual Income Tax Returns*. Taken from Carnegie Commission, Table 12, p. 44.

When the tax burden upon the various income groups is compared to the benefits received, those in the $7,500 to $10,000 family income bracket contribute less in taxes than they receive in benefits. At the $10,000 to $15,000 level, the ledger is about balanced; beyond $15,000, taxes paid are greater than the benefits received.[2]

Regardless of this determination, disparities in benefits by income classes are reduced as grant and scholarship programs are expanded[3] and as the enrollments of minority group students, many of whom are poor, rises

[1] Ibid., p. 1.

[2] See also W. Lee Hansen and Burton A. Weisbrod, *Benefit, Costs, and Finance of Public Higher Education* (Chicago: Markham, 1969); Joseph Pechman, "The Distributional Effects of Public Higher Education in California," *Journal of Human Resources* 5 (1970); and B. W. Windam, *Education, Equality, and Income Redistribution* (Lexington, Mass.: Heath Lexington, 1970).

[3] The Federal BEOG appropriation apparently will be raised to approximately $500 million for 1974-75. SOGs will amount to $210 million and direct loans will total almost $300 million. State grant and scholarship programs totaled approximately $280 million in 1972-73 (Carter, p. 12).

TABLE 8

Income Distribution of Families of College Eligible Population, Estimated Tax Burdens, and Benefits from Tax-Funded Institutional Subsidies, 1971

Family Income Group	Families of College-Age Population (1)	Tax Burden (2)	Institutional Subsidies (3)
Under $3,000	8.4%	2.1%	4.8%
$3,000-$4,999	13.7	5.6	8.7
$5,000-$7,499	20.2	10.4	13.3
$7,500-$9,999	18.5	14.0	17.7
$10,000-$14,999	22.8	26.5	27.5
Over $15,000	16.4	41.4	28.0
Total	100.0%	100.0%	100.0%

Source.—Carnegie Commission, Table 14, p. 45.

significantly.[9] Further, the percentage figures in the above tables represent only a few higher education tax dollars per year for low-income persons, a fact often overlooked. Even if one judges from these tables that some inequity exists, the absolute tax dollar amounts paid at the lower-income levels are very, very small, and even those students who do not attend college receive certain benefits of a societal nature from the attendance of others.

Thus, this evidence would appear to destroy the myth that inequity in educational opportunity results solely or primarily from financial need; however, it says nothing of the larger and more basic equity considerations.

Equity: Perspective, Scope, and Foundation

Since the early 1960s we (economists) have moved very rapidly—and mostly in response to the social and intellectual dynamics of this country rather than to any inner logic of the unfolding of the scientific development of our subject—from

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[9] Enrollments of blacks jumped 211 percent between 1964 and 1972; blacks now make up 9 percent of all college students. *Chronicle of Higher Education* 7 (March 5, 1973).

supreme self-confidence in the power of economists to solve all conceivable problems to considerable self-questioning about how much it really has to say about important problems. And sometimes we have made near-desperate efforts to make it say something about problems that are of the utmost social concern but about which we may not be able to say very much, no matter how hard we try, though we may be able to hide the fact successfully from ourselves and our colleagues by juggling with the semantics of our subject and deploying the full set of our hard-won statistical techniques.[33]

The analysis which follows does not use the sophisticated economic calculus or taxonomic frameworks which often tend to ignore institutional realities or real world behavior. Nor does the analysis employ any particular analytic tool or model requiring for its use unrealistic, simplistic, or heuristic behavioral assumptions that ultimately render the conclusions of the analysis, although interesting, largely dysfunctional.

While some individuals will no doubt find fault with analysis that intentionally avoids the "quantification syndrome" characterizing much of social science inquiry today, there is sufficient evidence to suggest that attempts to quantify various aspects of higher education, including its financing, have provided little insight into several important policy questions. Some of these quantification efforts, upon careful and deliberate examination, represent little more than what Thorstein Veblen once referred to as "ceremonial adequacy." Other, more serious quantification efforts have not dealt adequately with the complexity which characterizes the present financial structure of higher education because of several factors, including (1) the lack of appropriate empirical data,[34] (2) the inadequacy of existing concepts and analytical tools which cannot be transferred intact from various disciplines and applied successfully to problems in higher education, and (3) the nature and complexity of higher education itself.

The approach and analysis of this section attempts, albeit qualitatively, to take into consideration the complexities which characterize higher education and its financing, rather than to minimize or to ignore them. It begins with a recognition that the ultimate policy ends which the Carnegie

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[33]Harry G. Johnson, "The Alternatives before Us" (summary statement of a workshop on financing higher education sponsored by the Committee on Basic Research in Education, June 1971).

[34]On the lack of empirical data concerning tuition changes and their impact see Robert W. Hartman, "Equity Implications of State Tuition Policy and Student Loans," *Journal of Political Economy* 80, Part II (May/June 1972), S150. Efforts to construct decision-making models for the financing of higher education have failed largely for this reason. (Both the U.S. Office of Education and NCFPE recently abandoned such efforts.)

Commission and the Committee for Economic Development have proposed essentially reflect value judgments. These policy ends, which include greater equality of educational opportunity for low-income students, financial stability, and adequate resources for institutional survival and growth in both the private and public sectors, depend to a large extent on individual beliefs and attitudes. They reflect interpretations based on differing philosophical assumptions about the nature of man's world. As such, they must necessarily be taken as "givens."

This analysis does not take issue with the above policy ends which appear to be reasonable, equitable, and socially desirable in light of existing evidence and institutional realities. It does, however, take issue with the means which have been proposed by the Carnegie Commission and the Committee for Economic Development to achieve the policy ends listed above, specifically, increasing tuition at public colleges and universities coupled with a greatly expanded grant program for low-income students and income contingency loan plans. These policy means do not consider that (1) equity in the means used to achieve policy ends is as important as the ends themselves; and (2) the proposed means appear to violate seriously—particularly with regard to their treatment of middle-income students and their families—certain established principles of equity accepted as legitimate by most members of society.

While this section centers on questions related to equity, other issues related to the effects and probable effectiveness of the policy recommendations are discussed relative to the middle-income student and his family. The analysis is limited to those CED and Carnegie Commission policy-serving recommendations which relate only to the financing of undergraduate education. Further, the analysis is concerned almost totally with decision making and equity in the public sector, recognizing, of course, that a private sector also exists and that making the public sector more equitable may not necessarily assure equity throughout the entire system of higher education. Lastly, the analysis considers the interrelationship between equity and efficiency in higher education and how changes in one may, given certain circumstances, result in changes in the other. While this paper is concerned primarily with equity effects relative to the middle-income student and his family, the argument takes account of the equity-efficiency relationship where significant changes might result.

The Concept of Equity

The term equity has been used extensively in discussions concerning financing of higher education. If any 10 persons were asked, "Are you for greater 'equity' in the financing of higher education?", almost all would answer yes. However, if asked to define or perhaps operationalize the concept of equity, it would be entirely possible to get 10 different

definitions. One individual might define an equitable system of financing higher education as one which results in "fairness among persons and classes in allocating the costs of higher education, particularly as between taxpayers and donars who represent 'society' and the students and their families who are the principal individual beneficiaries."[35] Another individual might define equity in the financing of higher education as a situation where there existed "fairness in the distribution of benefits and costs."[36] Elsewhere, equity in higher education finance has been taken in part to mean the provision of "subsidies sufficient to offset the limited resources of poorer students' families."[37] Still others might define an equitable system of financing higher education as one which is "neutral" with respect to its treatment of individuals or groups of individuals. These varying definitions and notions of equity underscore the lack of a clear-cut definition of equity and also point to the necessity for specific definition in discussions which center on equity questions.

The sample of definitions above suggests that a definition of equity necessarily must be set out. After a relatively thorough review of the literature, the choice was made to base this definition on essentially three criteria: (1) its frequency of use in other analyses of higher education finance; (2) its apparent reasonableness; and (3) the high probability of the definition obtaining a consensus of what actually should constitute equity in the financing of higher education.

Equity in higher education is defined here for purposes of subsequent analysis as the absence of financial barriers to undergraduate education.[38] As the author of the definition indicates:

"Inequity," conversely, suggests the presence of people who qualify to enter college and who would go but for lack of funds.[39]

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[35] Bowen, "Finance and the Aims of American Higher Education," p. 160.

[36] W. Lee Hansen and Burton A. Weisbrod, "The Search for Equity in the Provision and Finance of Higher Education," *The Economics and Financing of Higher Education in the United States: A Compendium of Papers Submitted to the Joint Economic Committee* (Washington, D.C.: U.S. Government Printing Office, 1969), p. 108.

[37] W. Lee Hansen, "Equity and the Finance of Higher Education," *Journal of Political Economy* 80, no. 1, Part II (May/June 1972), S262.

[38] David Segal, "'Equity' Versus 'Efficiency' in Higher Education," *The Economics and Financing of Higher Education in the United States: A Compendium of Papers Submitted to the Joint Economic Committee* (Washington, D.C.: U.S. Government Printing Office, 1969), p. 136.

[39] Ibid.

The significance of this definition lies in the fact that it appears to be highly consistent with the notions of equity embodied in both the CED and Carnegie Commission recommendations.

In terms of our definition of equity, the policy ends of increasing equality of educational opportunity, of increasing accessibility, and ultimately of increasing higher education attendance of students from low-income families represent an increase in equity in higher education and its financing. However, as has been argued earlier, achievement of greater equity in higher education and its financing is no more or no less important than equity in the means to achieve that end. Both policy means and ends must be examined to determine equity. It would make little sense to increase equity in part of the system by reducing it in another, unless one held the philosophy that in some way the means justified the ends, a philosophy to which few would subscribe.

Equity Considerations of Public Tuition as Taxation

Equity enters the analysis in another way related to the tax nature of *public* tuition when education is considered as a social good. Every society sets certain goals for itself and its individuals and establishes various means to achieve these goals. In our society some of these goals are equality of opportunity, individual participation, a well-educated citizenry, and upward mobility. Higher education has been chosen as the most appropriate vehicle to achieve such goals by tying these goals to certain "credentials" which often have become synonymous with earned degrees and completion of various programs in higher education. Taxation and tuition revenue pay for this education. Accordingly, the *tuition* charged by public institutions *may be legitimately viewed as a form of taxation* where taxes are defined in their traditional manner as "compulsory payments imposed upon individuals by government to distribute the costs of governmental activities among the various members of society."[10] As a form of taxation (due to the social goods nature of higher education), tuition is subject to the same equity criteria as any other tax which supports any other governmental service. Due accurately points out: "The rule that governmental costs be distributed in a fashion regarded by contemporary society as equitable is generally accepted."[11] While recognizing that determinations of "equity" or "equitable taxes" are strictly value judgments and that there are wide differences in

[10] John F. Due, "Alternative Tax Sources for Education," in Johns et al., Eds., *Economic Factors Affecting the Financing of Education* (Gainesville, Fla.: NEFP, 1970), p. 293.

[11] Ibid.

opinion. Due summarizes the general agreement that equity in most cases requires:

1. Equal treatment of equals: persons regarded as being in the same relevant circumstances should be taxed the same amount.

2. Distribution of the overall tax burden on the basis of ability to pay, as measured by income, wealth, and consumption.

3. Exclusion from tax of persons in the lowest income groups, on the grounds that they have no taxpaying capacity.

4. A progressive overall distribution of tax relative to income, on the basis that tax capacity rises more rapidly than income. While this requirement is less generally accepted than the others, there is general agreement that the structure should be at least proportional to income.[9]

Related to equity in the development and evaluation of taxes is the criterion of neutrality. Neutrality indicates the degree to which the tax affects economic and societal decisions. The less distorting the effect of a tax, the more neutral it is said to be. As Benson suggests:

> If a government has a choice between two tax instruments, it logically prefers the one, other things equal, that has the least unfavorable effects on the private economy. The general criterion is that a good tax is neutral with respect to the allocation of resources. It does not distort consumers' spending patterns, and it has neither positive nor negative effects on work incentives, choices of alternative means of production, etc. . . . What is desired is that the possible unfavorable effects of levying the taxes do not cancel the good effects of the services the taxes support, or lead to yet other damages on the private economy.[10]

The analysis turns now, within the context of equity and neutrality as defined and described above, to the probable impact on middle-income students of the Carnegie Commission and CED proposals. What, then, is middle-income?

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[9] Ibid.

[10] Charles F. Benson, *The Economics of Public Education*, 2nd ed. (New York: Houghton Mifflin, 1968), p. 96.

Equity, Neutrality, and the Middle-Income Student

Middle Income Defined. It is not clear in the literature on equity exactly what constitutes "middle-income groups." Much of the discussion is not specific on this point, and where it is specific, there are differences in definition more often than not. Definitions usually depend upon the problem under investigation and to a lesser extent upon the investigator's particular preference. Further, most of the discussions using income groups, in the analysis of issues and alternatives in financing, tend to dichotomize income groups into such categories as "the rich" and "the poor" or "upper income" and "lower (or low) income" or to divide them into quartiles.

The middle-income student shall be defined here as a student whose family's yearly income ranges from $7,500 to $15,000. While this definition may initially appear to be slightly broad and the distribution positively skewed, it has certain advantages and merits. First, this paper is concerned with that group of students and their families who are neither the "richest" nor the "poorest" in an absolute sense. Such a concern necessarily implies a broader definition of "middle" than usual. It includes that particular group of students who are neither from the lowest income groups (under $3,000 or $3,000-$6,000) nor from the upper income groups (over $15,000 or over $20,000). Second, our definition not only incorporates that income group usually thought of as "lower-middle" in our society, but also is more consistent with the definitions used for actual policy recommendations of the CED and Carnegie reports than less inclusive definitions of middle income (i.e., $10,000-$15,000).

Equity and the Middle-Income Student

The recommended increase in tuition in public universities and colleges represents (1) an overall reduction in subsidization for all students enrolled in such institutions both now and in the future, and (2) a user tax to the extent that the revenues from the proposed tuition increases would be used to achieve greater equality of educational opportunity for low-income students through expanded grant and loan programs. In terms of the criteria of equity set out above, is the proposed increase in tuition equitable for all income levels?

The increase in tuition proposed by both the Carnegie Commission and the CED is a uniform increase which disregards both the notions of "ability to pay" (tax based on economic capacity) and "benefits received" (tax based on the volume of benefits received).[4] Under the CED and Carnegie proposals persons of dissimilar relative circumstances would be taxed the

[4] Benson, p. 92

same amount. As such, the proposed increase is essentially regressive with respect to its treatment of individuals and families of individuals and violates two primary standards of equity—ability to pay or benefits received.

Therefore, the proposed increase in tuition automatically violates the second criterion of equity which requires the distribution of the overall tax burden to be based on ability to pay as measured by income, wealth, or consumption.

Regarding the third equity criterion, which indicates that persons in the lowest income groups be excluded from the tax on the basis of limited or no ability to pay, the societal tax also falls short because *all* students, regardless of family income, would pay the increase in tuition if they qualified for and elected to attend a public college or university. However, the regressive effect of such an increase on low-income students would be largely or completely eliminated by the expanded grant programs for low-income students, whereby the increase would be covered by the grant itself. Thus, under both the Carnegie and CED proposals the low-income student would be insulated to a great extent from the proposed increases in tuition.

The proposed tuition increases, being regressive, fall short of meeting the fourth equity criterion, requiring a progressive overall distribution of tax relative to income, on the theory that tax capacity rises more rapidly than income. A progressive overall distribution would require the ratio of tuition increase to income to be larger for high-income families having individuals enrolled in public universities or colleges than for the student from a low-income family. Ignoring the expanded grant program for low-income students, the proposed increases would result in exactly the reverse situation, where the ratio of tuition increase to income is greater in low-income families than in high-income families.

Thus, the proposed increase, viewed as a user tax, in no way approaches the established and generally accepted criteria of equity.

What income group, then, would ultimately bear the tax burden relative to other income groups? The answer appears to be relatively obvious. Given the fact that upper income groups have a greater ability to pay than other income groups, and that many low-income students would be partially or completely exempted from the proposed tuition increases by grants covering such increases, much of the tuition increase burden would fall on the middle-income student (and his family). This student has less ability to pay relative to upper-income groups, and limited or no access to the resources in the expanded grant programs earmarked for low-income students.

To determine what possible effect this burden might have on financial barriers to undergraduate education, the analysis turns now to a discussion of some of the implications of the proposed policies within the context of neutrality.

At this point it will prove beneficial to elaborate on the notion of neutrality discussed earlier. Neutrality was defined as the degree to which a particular tax affects economic decisions. Society has largely agreed that taxes, in general, should be structured to be relatively neutral in the functioning of the economy. That is, taxes should be levied such that few, if any, persons are forced to alter their economic behavior in a way that is contrary to their personal objectives or the objectives of society. Among other things, such alterations in behavior result in "excess burdens" in the sense of reduced real income of society.[5]

There is considerable support for the contention that the middle-income student would be most affected (i.e., experience the greatest relative amount of distortion) by the proposed increase in tuition, relative to other income groups.

To begin, one may examine the effect that the price of higher education, as measured by tuition, has on enrollment demand. Theoretically, demand for any good or service is a function of several variables including disposable income, price of the commodity, taste, and the price of other commodities, to name but a few. Economists suggest that among the most important of these variables are disposable income and the price of the commodity under investigation. Regarding higher education, empirical evidence is limited and regional in nature, but the existing evidence indicates that tuition is an important factor significantly influencing enrollment demand for higher education.

[5] Due, p. 292. Concern here is not so much with distortions that either reduce real income or retard the rate of economic growth, both of which are regarded as objectionable by society, but rather with the equally undesirable and objectionable likelihood that the proposed increases in tuition would cause students already in public colleges and universities and those planning to attend, to alter their behavior regarding continuation and future attendance. To the extent that students in public institutions of higher education and those planning to attend in the future must alter their decisions (i.e., drop out, not enter, or enter for a period of time previously deemed inappropriate or less than optimum), the proposed tuition increases can be said to be nonneutral, to violate the criterion of neutrality, and to result in socially objectionable and socially undesirable distortions having both social and economic consequences.

Campbell and Siegal[1] empirically estimated a demand function for undergraduate higher education covering the period 1919-1964. Utilizing multiple regression analysis, the authors tested the hypothesis that the demand for undergraduate higher education is a function of income and price. Enrollment demand was measured by the ratio of undergraduate degree enrollments in 4-year institutions to eligible 18 to 24 year olds. Income was measured by real disposable income, and price was measured by an index of tuition costs deflated by the consumer price index. The study found that 87 percent of the variation in the demand for undergraduate higher education could be explained by historical variations in income and tuition (price). Demand was found to respond positively to increases in income and negatively to increases in price. More specifically, the price elasticity[2] of demand was statistically significant for the sample (-.440). This value suggests that a 10 percent increase in tuition would result in a 4.4 percent decrease in demand for undergraduate higher education. While the sample upon which the study is based is too small to make quantitative generalizations, the study does suggest that variations in tuitions are important in explaining variations in the demand for undergraduate higher education.

In another study which developed an optimization model for the efficient allocation of subsidies to college students, demand functions and elasticity coefficients were estimated for eligible freshmen of varying income groups in the University of California system.[3] Based on the calculated elasticity of demand coefficients, the researcher went on to estimate for the lowest, highest, and all family income quartiles, the effects on enrollment demand of $100 and $400 changes in annual direct outlay costs. Elasticity coefficients were then recomputed on the assumption that any percentage increase in the direct outlay cost of attending the University of California would be simultaneously matched by a two-thirds increase of that change in direct costs of attending the state colleges. Table 9 summarizes the findings under both situations. While it would be possible to quibble about methodological questions which might again limit precise quantitative forecasts, the qualitative implications of the study are quite clear. Changes

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[1] Robert Campbell and Barry N. Siegal, "The Demand for Higher Education in the United States, 1919-1964," *American Economic Review* 57 (1967), 482-94.

[2] Elasticity refers to the degree of responsiveness of demand to changes in income and price. When, as was done in this study, the empirical demands function is converted to logarithms and then estimated, regression coefficients automatically become elasticity coefficients, indicating the *degree* of responsiveness of demand to changes in income and price.

[3] Stephen A. Hoenack, "The Efficient Allocation of Subsidies to College Students," *American Economic Review* (June 1971), 302-311.

TABLE 9

Predicted Effects of Indicated Changes in Annual Costs of Attending the University of California in 1967: 68 University Enrollments of California Resident Freshmen

Income Bracket	Changes in Annual Costs	Percentage Change in Enrollment			
		No Changes in Costs of Attending Other Institutions		*Costs of Attending California State Colleges Change by 2/3 the Changes in Costs of Attending the University*	
		No Effect of Costs on Eligibility	Costs of Attending College Affect Eligibility	No Effect of Costs on Eligibility	Costs of Attending College Affect Eligibility
$0-$7,599	-400	30.04	36.78	17.87	24.61
	-100	6.87	8.24	4.08	5.45
	0	0	0	0	0
	+100	-6.04	-7.04	-3.65	-4.65
	+400	-23.03	-26.05	-13.78	-16.80
$14,500 & over	-400	21.03	26.42	12.71	18.10
	-100	4.66	5.69	2.81	3.83
	0	0	0	0	0
	+100	-3.81	-4.47	-2.57	-3.23
	+400	-14.38	-16.06	-8.90	-10.58
All incomes	-400	24.31	30.24	14.51	20.44
	-100	5.46	6.62	3.26	4.43
	0	0	0	0	0
	+100	-4.59	-5.38	-2.98	-3.78
	+400	-17.45	-19.66	-10.67	-12.89

Source.—Hoenack, p. 309.

in annual costs do affect enrollment demand. Here, as in the Campbell and Siegal study, an inverse relationship is found to exist between enrollment demand and cost (price).

The last piece of evidence suggesting that tuition increases influence enrollment demand for higher education comes from a working paper prepared by the staff of the National Commission on the Financing of Post-secondary Education.[49] In the paper, both the CED and Carnegie Commission policy recommendations are quantified and their impact on the proposed increases in tuition assessed. The Commission staff estimates that the proposed increases in tuition would result in a loss of enrollment ranging from 0.8 percent to 8 percent, depending upon the assumptions made. The Commission settled on a 2.5 percent estimate and notes explicitly that this figure appears to be "highly conservative." Given the figure, they estimate that "for every $100 increase in public 4-year tuition you will reduce enrollment by 2.5 percent," and further that "the actual cutbacks would probably be higher."[50]

Thus, all the available evidence suggests that increases in tuition proposed by the Carnegie Commission and the CED will have a noticeable effect on decisions to attend and to continue in public colleges and universities. Further, it is apparent that this policy decision may affect adversely the attendance decisions of not a "few thousand" students, but the decisions of hundreds of thousands of families and individuals. Even using the conservative estimate of price elasticity (2.5 percent), the NCFPE calculates a drop in enrollment of 250,000 students for each $100 in tuition increases. A policy that creates this kind of economic distortion and forces this many qualified individuals, who would otherwise enroll or continue in higher education, to draw away is individually and societally objectionable and undesirable.

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[49] Prepared by the NCFPE staff in early November 1973.

[50] We also think a 2.5 percent decrease in enrollment is conservative. While one hears continually about society's ever-increasing "ability to pay," resulting from (fast) rising levels of disposable income, there is another side to the coin. While disposable income has risen in recent years, the consumer price index has risen in a much more dramatic fashion. Furthermore, purchasing power of that income has been drastically eaten away by steadily rising prices, particularly in the last 5 years. This has made the cost (price) of education, including tuition (which has risen over the past 5 years at a rate 20 percent faster than the rate of increase in per capita disposable income during the period 1960 to 1972 [Carnegie Commission, p. 11]), more expensive relative to other goods and services consumed by families. The most recent evidence suggesting society's growing sensitivity to prices (despite growing income levels and an increasing ability to pay) is the effect of increases in gas prices on consumer demand. Another example of increased consumer sensitivity to price increases is the hoarding and boycotting related to increases in meat prices.

Again, the middle-income student and his family seem to be the group who would experience an unjustifiably large amount of the resulting economic distortion. That is, a significantly larger number of qualified middle-income students would be forced to alter their behavior adversely regarding decisions to enter or remain in public institutions of higher education than students from other income groups. This means not only that large numbers of middle-income students would be forced to alter their behavior in a manner inconsistent with their own interests and values, but that they would also bear an "excessive burden" in relation to other income groups.

First, most low-income students presently enrolled in public institutions already are receiving substantial financial aid, either in the form of grants or low-interest loans. The continued and *expanded* commitment to greater equality of educational opportunity for low-income students necessarily dictates that any increase in tuition be systematically absorbed through larger grants or loans for those low-income students already enrolled. The same tuition policy would apply to prospective low-income students, whom expanded grant and loan programs are expected to attract. Thus, for this income group increasing tuition becomes synonymous with increases in subsidies, and vice versa. Put another way, the price elasticity for low-income students is extremely low because (1) many low-income students are already dependent on financial assistance; and (2) with the proposed expansion in grant and loan programs, the economic question of tuition increases for prospective low-income students is eliminated altogether. Thus, relatively few cases of economic distortion in low-income groups can be expected to occur as a result of increased tuition.

As for the upper-income student (i.e., the student from a family whose yearly income is greater than $15,000), Table 5 shows that he is disproportionately represented in actual attendance relative to students from other income groups (with the exception of the lowest income groups which are disproportionately underrepresented). Regarding the upper-income group, Table 5 indicates (and demonstrates empirically) the existence of both a substantially greater ability and willingness to pay, and, more important, a significantly greater willingness to *participate* in higher education. Thus it would be expected, particularly in the higher income groups (i.e., greater than $25,000 yearly family income), that the proposed tuition increases would have little overall effect on decisions to attend public colleges and universities. That is, while some students from upper-income groups (particularly those from the $15,000-$20,000 family income group) might be forced to alter their decisions to attend or continue as a result of tuition increases, the overall degree of economic distortion in the highest income groups would be minimal. It is evident from their disproportionate representation in higher education that high-income students and their families place a high value on, can, and are willing to pay for higher education services. Thus, the price elasticity of demand for

upper-income groups is also extremely low, albeit not as low as the price elasticity of low income groups.

By reasonable elimination it appears that to the extent that tuition increases result in economic distortion, the middle-income student and his family would experience an unjustifiably disproportionate share of this distortion. That is, the decline in enrollment expected to result from the proposed tuition increases would, in all likelihood, consist largely of middle-income students. This conclusion necessarily implies that the proposed tuition increases would place an "excessive" and therefore inequitable burden on middle-income students, because a disproportionately large number of the decisions not to attend or to drop out of public colleges and universities would be made by students from middle-income families. This conclusion, it should be noted, is consistent with the quantitative estimates of the NCFPE.[1]

Summary. The Carnegie Commission and the Committee for Economic Development proposals to increase tuition at public universities and colleges seriously violate three of the four equity criteria and result in an overall regressive distribution of the financial burden. Because low-income students largely will be exempted or insulated from increases in tuition as a result of the proposed expansion in grant and loan programs and because upper-income groups have a greater economic capacity to absorb tuition increases, middle-income students who elect to continue or attend college would experience a relatively greater hardship as a result of the proposed public tuition increases.

Perhaps even more important, in terms of the notion of equity as the absence of financial barriers to undergraduate education, the proposed increases in tuition seriously violate the criterion of neutrality, resulting in considerable economic distortion. This distortion was found to take the form of forcing significant numbers of enrolled and prospective middle-income students to alter their behavior adversely regarding decisions either to attend or to continue in public colleges and universities. Thus, the proposed increase in tuition, creating as it would a financial barrier for significant numbers of students, violates the definition of equity.

In order to focus on equity and neutrality considerations relative to the middle-income student, it was necessary to ignore certain other related and important issues which must now be examined.

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[1] The NCFPE, in its November 1973 draft, estimated that the biggest drop in enrollments would occur in the $7,000-$15,000 income range.

Some Related Issues

There are numerous other issues related to equity, particularly to the equity of means as opposed to ends. Among these are the issues of the emancipated student, the American tradition of free public education, and the respective ability of various groups to pay the higher education bill.

The Emancipated Student

One of the common difficulties in policy formulation is the need to concentrate almost exclusively upon the normative case. On the subject of higher education finance, policy makers and policy staffers have tended to think in terms of typical students and typical conditions: the 18-24 year old full-time student from a middle-income family having middle-class values. Policy statements thus developed tend to fit roughly the conditions of many students, but may not be applicable to many others. Each individual considers himself or herself a special case even though in the eyes of the policy makers his or her situation does not vary greatly from that of the typical student. In many cases, however, the differences are indeed real and important. Occasionally, the variations from the normative case are so extreme that the formulated policy results in major inequities. One such example, which is repeated hundreds of thousands of times, is the case of the totally or largely independent or emancipated student. Although policy regulations sometimes take some emancipated students into account, such regulations generally are too narrowly defined.

In considering student emancipation there are first of all the legal and moral questions. Persons beyond the age of 18 generally have been considered emancipated for legal purposes since the passage of federal legislation prior to the presidential election of 1972. There have been minor exceptions (such as in the purchase of beer and other alcoholic beverages), but for the most part 18-year-olds legally have been considered as independent adults. As such, *family* income tests required by most present grant and loan programs would appear to be of questionable legality.

Regardless of the judiciousness of these family needs tests, the moral issue remains. It is probably not defensible for society arbitrarily to rule 18-year-olds emancipated for some purposes but not for others. Further, it would be socially desirable to set an age for total legal emancipation rather than to encourage the dependent status of young adults as is now often the case. Howard Bowen suggests that this age might be 20 or 21, at which time the responsibility of parents for financial support of offspring would cease and means tests for student aid would be abolished.[12] This would be a step in the

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[12] Finance and the Aims of American Higher Education," p. 166.

right direction, although a cutoff at age 18 would seem to be more consistent with the law.

However, the actual extent of present student emancipation from parents and the corresponding impact of these numbers upon recently proposed higher education financing policy is the important issue. A 1959 Census study showed that 45 percent of male and 30 percent of female college students received no support from home.[51] Thus, it could be asserted that grant and loan needs analyses should consider parental willingness to contribute as well as the ability to do so. Although it might be anticipated that these percentages have declined as the costs of college have increased, it is difficult to ascertain whether the weight of higher costs or parental parsimony has yielded. Current data do show that 28.5 percent of all males in the college-age population (18-24 years of age) are heads of household and 42.9 percent of college-age females are wives.[54] These persons probably should be considered emancipated from parents.

More specific to the issue, some data exists as to the present reliance upon parents for contributions to help meet the costs of college. In Illinois, for example, 21.3 percent of those who received state grants in 1971 declared themselves both financially independent of their parents and residing in separate quarters.[55] Another recent study conducted in the five states having the largest state grant programs,[56] showed that the actual contribution by parents to their children's college education was much less than the "expected contribution" calculated using the College Scholarship Service (CSS) technique.[57] In these states, parents contributed on the average about 20 percent of the students' total resources for college, with the remainder coming from student savings, student term-time and summer work, grants, loans, and miscellaneous sources. Average annual parental contributions were in the $400-$500 range; and even in New York, where essentially all students are entitled to some state support and thus were part

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[51] Christopher Jencks, "Social Stratification in Higher Education," in M. D. Orwig, Ed., *Financing Higher Education: Alternatives for the Federal Government* (Iowa City, Iowa: The American College Testing Program, 1971), pp. 90-91.

[54] *Current Population Reports*, Table 24, p. 27.

[55] Illinois State Scholarship Commission, Unpublished document (Elgin, Illinois: ISSC, April 1971).

[56] Larry L. Leslie and Jonathan D. Fife, *The College Student Grant Study* (University Park, Pa.: Center for the Study of Higher Education, 1974, forthcoming).

[57] No such calculations were in fact made, but a visual examination of CSS need analyses for the Federal BEOG program indicates that actual parental contributions were only a fraction of the CSS estimates of what they should be.

TABLE 10
Student College Resources

	New York		New Jersey (Scholarship Incentive Program)		California		New Jersey (Tuition Aid Program)		Pennsylvania		Illinois[a]
	Mean	%	*Mean*	%	*Mean*	%	*Mean*	%	*Mean*	%	
Parents	$623	28	$397	16	$527	20	$585	20	$417	17	
Student Savings	291	13	148	06	157	06	165	05	105	04	
Term-Time Work	152	07	76	03	88	03	118	04	71	03	
Work-Study			58	02	59	02	65	02	54	02	
Summer Work			265	11	194	08	234	08	279	11	
State Scholarship	203	09	524	22	928	36	704	24	665	27	
Other Scholarships and Grants	144	07	391	16	260	10	295	10	233	09	
Student Guaranteed Loan	286	13	178	12	70	03	298	10	281	11	
Other Loans	154	07	270	11	168	06	203	07	159	06	
Other	314	14	108	04	117	05	220	08	206	08	
Total Resources[b]	2,167	98	2,415	103	2,568	99	2,887	99	2,470	98	

Source.—Larry L. Leslie and Jonathan D. Fife, *The College Student Grant Study* (University Park, Pa.: Center for the Study of Higher Education, 1974, forthcoming).

[a]No specific breakdowns available.

[b]Column percentages do not total to 100 due to rounding.

of the population sampled, parents contributed only an average of $623 or 28 percent of student resources for college."

Atypical students are discriminated against in a number of ways by current and proposed higher education finance policy. Paradoxically, many of the potential "new students" at whom certain federal policies are directed would be the same students who would fail to qualify for federal grants and loans. These students are those who would partake of nontraditional studies—the housewives whose husbands may earn modest livings, those who work at low-paying jobs and attend college part time, and, in general, those who for whatever reason have not followed the regular pattern of attendance immediately after high school. These are students who would pay the higher tuitions (in some cases the full costs) and yet fail to qualify for aid, either because they would not be full-time students or because their lower-middle-income status would disqualify them for compensating support.

The Tradition of Free Public Education

It is often said that the major forces shaping the character and condition of social institutions and, indeed, individual organizations are history and tradition. They help us to understand why an organization operates the way it does, why members of the organization hold the views they do, and why the organization is structured the way it is.

Organizational or institutional change is so very difficult to accomplish primarily because of the breadth and depth to which history and tradition pervade the organizational structure. Innovations and new ideas do not fall upon neutral ground; the organizational turf is filled with interests bent upon maintaining the status quo. Schon has observed that this resistance to change is not passive, but is characterized by what he calls a "dynamic conservatism."[9] In other words, the organization fights to maintain its present nature, its structure, its ways of operating, its organizational ethos.

American education largely has been free. From a time when the society saw its most pressing need as the "Americanization of everyone," whether to provide immigrants with a common heritage or a formerly rural population with industrial and technological skills, the greater social good required strong public support of education.

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[8] Leslie and Fife, Table 7.

[9] Donald A. Schon, *Beyond the Stable State* (London: Temple Smith, 1971), p. 52.

Now some would say that society no longer is the primary beneficiary at least of *higher* education. Now the individual benefits, and the individual should pay the costs. As has been very clearly noted from news accounts and editorials concerning the various plans to raise public college tuition, all this does not set well with the American public. In light of history and tradition, it is not surprising that the public is concerned.

The Notion of "Ability to Pay"

In numerous discussions centering on higher education financing, the term ability to pay has taken on a kind of dysfunctional "connotative gestalt." It is being used, interpreted, and extended in ways that are incorrect and that ultimately lead to either misleading or erroneous conclusions. It is therefore important to discuss what the term means and what it does not mean, and to indicate what ways it is being used or interpreted inappropriately.

To begin with, the term ability to pay has been used loosely. Ability to pay is presently being equated to various income levels, yet much of the actual wealth in this country takes other forms (i.e., stocks, securities, and property) than current income. Out of this initial point of departure the notion emerged, albeit implicitly, that *every* family placed in the "rich" or "upper income" categories has some minimum excess economic capacity which would justify sizeable increases in tuition charges. The individuals engaging in this kind of analysis are not explicit, in many cases, about where (in terms of income level) this mythical minimum excess ability is likely to appear. Rather, the terms "rich" or "upper income" immediately suggest affluence, great wealth, and almost unlimited "ability to pay" for additional educational costs as well as for a host of other goods and services.

While explicit mention of the income level at which the ability to pay appears seldom can be found in the literature, the various proposals and plans to finance higher education locate it somewhere between $10,000 and $12,000 yearly family income. That is, it appears that the proposals and specific recommendations imply that a family with an annual family income over $10,000 has "the ability to finance a greater portion of its children's higher education expenses."

Data below from the Bureau of Labor Statistics' medial cost-of-living estimates in 1971 for an urban family of four based on an annual gross salary of $10,971 indicate the fallaciousness of the term as applied to this income level:

1. *Food*: $50 a week, including every restaurant lunch and stadium hot dog ("meat three times a week—mostly hamburger").

2. *Housing*: $219 a month for all expenses—mortgage, utilities, furniture, repairs.

3. *Medical*: $612 a year, which must cover health insurance (about $460), all medicines, dental care, and so on.

4. *Transportation*: $964 a year, including car payments, gasoline, repairs and insurance.

5. *Clothing and personal care*: $1,196 a year for clothes, shoes, makeup, hair care, etc.

6. $563 a year to cover life insurance, union dues, Christmas presents, and charities.

7. $684 a year for liquor, tobacco, TV and radio, records, books, newspapers, school supplies, vacations and toys.

The above profile indicates that families with an annual income approaching $11,000 have little excess income or "ability to pay" that could justify recent proposals to increase tuition.[*] In light of the rapidly rising prices since 1971, the income level (if one exists) at which ability to pay appears and inability to pay disappears could conceivably and conservatively be placed somewhere in the neighborhood of $17,000.

Those individuals who argue for public tuition increases on the basis of this ability to pay as derived from observed increases in disposable income in recent years, are suffering from and perpetuating what might be called for want of a better term a "perceptual lag" with respect to income level and purchasing power. This perceptual lag has come about as a result of rapidly rising prices and a qualitative decline in many consumer products. Put very simply, $12,000 today does not buy nearly what it bought 5 years ago. Therefore, there is a need to recognize an entire continuum of relative "abilities to pay" (if the notion is to be used at all) and a raise in the income level thought to generate some excess economic capacity consistent with actual conditions in today's society.

Perhaps even more important is the need to distinguish income level and ability to pay from *willingness* to pay in order to participate. Such willingness to pay and participate is intimately tied to individual value systems, environment, and several other variables. Ability to pay, as

[*] It should also be noted that in 1967, 66.7 percent of the families in the $10,000-$12,000 annual income bracket had two or more wages to reach that level, and of those in the $12,000-$15,000 bracket, 75.9 percent had two or more wages contributing to that income.

presently used (synonymous with income levels) in no way provides clues (particularly for the middle-income groups) about willingness to pay or participate, given a public tuition change.

Summary Remarks

This paper has examined the recent Carnegie and CED proposals to increase public tuition and expand grant programs for low-income students. It concluded that:

1. The proposed increase in tuition was inequitable when evaluated within the context of established and generally accepted equity criteria. Specifically, the increase would result in a regressive distribution of the burden with the middle-income student and his family bearing a disproportionate share of the burden.

2. The proposed increase in tuition would result in considerable economic distortion because significant numbers of prospective and presently enrolled students would be forced to alter adversely their decisions either to enter or to continue in public higher education. Thus, the proposed increase in public tuition would violate seriously the criterion of neutrality, in addition to violating the definition of equity.

3. These violations would fall most heavily on the middle-income group student and his family.

   First, those middle-income students who either elected to enter or remain in public higher education in spite of the tuition increase would bear a greater relative burden than either the low-income student or the upper-income student. In the low-income student's case the tuition increase would be absorbed by the expansion of the grant and loan program, while the upper-income student and his family would possess a significantly greater ability to pay than all other income groups. This would result in the proposed increase in public tuition being distributed not only regressively but disproportionately with respect to the middle-income student and his family.

   Second, it was determined that the middle-income student and his family would bear an excessive burden relative to other income groups in terms of the expected economic distortion estimated to result from the proposed tuition increase. That is, of those individuals who elected either not to enter or to drop out of public colleges and universities as a result of the increase in tuition, a disproportionately large number would be individuals from middle-income families.

Thus, in terms of well-established and generally accepted principles of equity, non-neutrality, and excessive burden on one particular income group, the CED and Carnegie proposals are objectionable.

What the proposals represent are a kind of zero sum game between middle- and low-income groups. Greater equality of educational opportunity would undoubtedly occur for low-income students under the proposals but only at the expense of significant numbers of students from middle-income families. While the analysis has been presented here within the context of income groups, the ultimate question is not one of one income group versus another, but rather the question of increasing equality of educational opportunity for individuals.

Specifically, the policy question becomes, can or should equity as a goal be achieved by an inequitable means? We presume most would answer a clear "no."

A plan that more nearly meets our criteria of equity is the plan advanced recently by the 117-member Pennsylvania Association of Colleges and Universities.[1] The PACU plan would expand higher education opportunity to low-income students by offering increased grant aid—up to $2,000 in cases of greatest need. But the plan would also raise the family income ceiling to $20,000, thus allowing subsidies, albeit smaller ones, to students from middle-income families. Further, tuitions would be stabilized at their present levels in public institutions, and potentially could be constrained in private institutions because of state institutional support in the amount of $600 for each grant recipient enrolled. (Because this plan was jointly sponsored by the public and private institutions of the state, a much broader political support is likely.)

The politics of good higher education financing are of great importance in the current debate. Raising tuition is being suggested as the proper means to the widely-accepted end of increasing equality of educational opportunity. But, without equity of means, no plan for financing higher education will receive the broad public support essential to successful public policy. In short, the politics of good higher education financing policy dictate equitable treatment of all. Broad policy support is politically necessary to the healthy maintenance of any large public service, including higher education. It does not appear that such support can or will be generated for either the CED or Carnegie proposals.

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[1] *A Comprehensive Proposal for Financing Higher Education in Pennsylvania.* (Harrisburg, Pa.: Pennsylvania Association of Colleges and Universities, 1974.)

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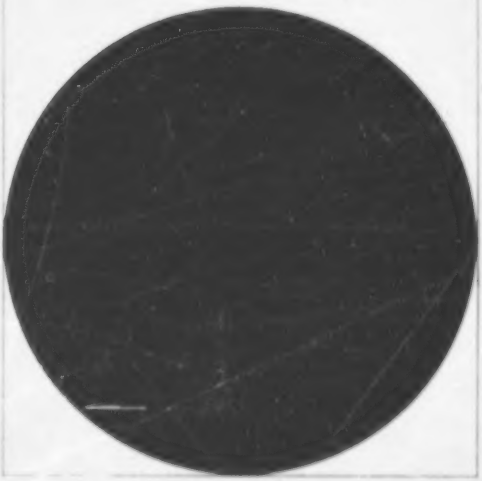
PART TWO

A View from Capitol Hill



IT'S TIME TO BLOW THE WHISTLE

The Hon. James G. O'Hara

Today we are met to discuss the efficacy of low tuition as a means of providing effective and equitable access to postsecondary education for the young men and women of this country. My own position on that question is not precisely a state secret. I am, to put it conservatively, thoroughly convinced of the wisdom of a low-tuition policy. I do not believe in "narrowing the tuition gap" between low-tuition and high-tuition schools by increases that will make the gap virtually impossible. And I have said so before.

If there is anyone who hasn't heard where I stand on this issue, let me say here and now that I am unalterably opposed to the concept that increased tuitions *anywhere* will lead to increased access for *anybody* at *any kind* of institution!

Further, let me reiterate my belief in the century-old American tradition of low-tuition, or no-tuition college education. This tradition has done more to make postsecondary education a part of the American life-style than has any combination of student assistance programs on the books, or in the minds of any of those who have the wildest hopes for student assistance.

You know, too, where the family of average means stands when it faces up to the question of how to send its kids to school. It simply cannot do so without heroic sacrifices it should not be asked to make. But the needs analysis systems that now are a feature of every single student assistance program deny assistance to those moderate-income kids because of their supposed affluence.

There is, furthermore, a growing body of opinion in this country to the effect that the only beneficiaries of higher education are its graduates. And that theory goes on that in the case of the tax-supported public institutions where the graduate has not paid, in tuition, most of the identifiable cost of

his education, he is the beneficiary of an undeserved subsidy, to boot! This theory is being pushed so hard now that in another 20 years there might well be no low-cost, state-sponsored institutions of higher education for your children to attend.

The proponents of this theory are concerned about the continuing financial problems of private colleges and they fear that many more such colleges will be forced to close their doors because they cannot maintain enrollments as long as a nation-wide system of state colleges and universities offers similar educational experience at a substantially lower cost. Their argument goes on to suggest that the way to "close the tuition gap," the way to make the choice between a community college, a state university, or a private institution less a matter of cost is to narrow the price differential—by *raising* the tuition at the public institution.

They concede that this would, in and of itself, work a hardship on the poorest students, for whom they propose a significant increase in public subsidy. But when they turn to the impact upon the middle-class student—the young man and woman from a family whose income is in the $10,000-$20,000 bracket—they deny that the resultant two or three-fold increase in tuition costs would work any real hardship.

That theory, and that proposed remedy—increased tuition at public institutions, increased subsidies for the very poorest students, and the honor of increased costs for the middle-class student—has been enunciated by the Carnegie Commission on Higher Education and more recently by the Committee on Economic Development, an organization composed of the nation's most prosperous and most powerful businessmen and bankers.

I fail to follow the chain of logic that leads from the proposition that the cost of education must be lifted from the shoulders of the low-income consumer to the conclusion that it must be transferred to the shoulders of the consumer in the $10,000-$20,000 income range. And to assert that doing so would lower the financial barriers between postsecondary education and the consumer is simple nonsense.

Let me tell you from the point of view of the Detroit area machinist who is making over $12,000 a year and is working overtime to do it, from the point of view of the school teacher or the policeman or the accountant or the salesman who has to moonlight to make ends meet, that it doesn't make sense to suggest he ought to be forced to pay more of the money he doesn't have to send his kids to college—in the name of removing financial barriers.

I think I would agree with the analysis that says:

1. An upper-income family can and will pay more to send its kids to the school of their choice, if it begins to cost more. They may not be overjoyed, but they will find the dough.

2. The lower-income family is already out of its depth in trying to pay college costs out of its own resources, so a change in tuition will, in and of itself, mean nothing to such a family. Their only hope now, and their only hope in a high-tuition situation, is generous federal or state or institutional aid.

3. So virtually the entire load of an upward shift in tuition policies would be borne by the middle class.

My correspondence files are filled with letters from people who are in the $10,000-$20,000 income bracket, and who don't know where to turn. They are not faced with the difficult decision of whether to send their kids to Princeton or to Michigan State. They are faced with the difficulty of sending those kids to either institution.

However we finance our public institutions, we are, in effect, imposing a tax. If we support them, as we have supported them historically by taxes spread generally over the public, then the question of equity depends on the degree to which the state—or federal—tax system itself is equitable.

There is no question in my mind but that the federal tax system—and most state tax systems—can be made more equitable. The middle-class families we are talking about bear a substantial share of those taxes already. If the tax system were truly equitable, and truly based on real ability to pay, the middle class would still be paying more than would the poor, and while none of us would enjoy them, I think most of us would agree that such tax burdens were at least equitably shared.

But the fact is that the very poor are relieved, as they ought to be, of tax burdens by the fact of their low incomes; and the rich are relieved of their share of tax burdens, as they ought *not* be, by the loopholes which benefit only those with very large incomes.

My favorite example, the Detroit area auto worker, can hardly save a substantial amount on his taxes by making a gift of his personal papers to the Detroit Public Library. The sweat of his brow and the effort of his brain which he must bring to his job are not entitled to depletion allowances which can, by careful juggling, reduce his taxes to a fraction of what they might otherwise be. He can't even claim a tax deduction for the tuition and fees he pays to send his kids to college. Meanwhile, the executive of the

company he works for can, with a competent accountant, cut heavily into his federal and state tax burden by a little selective charity, including selective giving to institutions of higher education.

There are figures that indicate the current aid system is not providing access to a wide range of students. As an example, I turn to the National Commission for the Financing of Postsecondary Education. The Commission Report shows that between 1967 and 1972, there was a slight overall increase in the higher education participation of 18- to 24-year-olds coming from families earning less than $3,000. The participation rate for students from families in the $3,000 to $7,500 bracket remained roughly stationary. But in every other income category, the participation dropped, with the biggest drops occurring in the $7,500 to $15,000 income group.

But the key argument against raising tuitions in the public sector of postsecondary education is neither the fact of its *inequity* to the middle class, nor the fact that doing so would reduce access for the lower-income student. The best argument for a nationwide system of low-tuition or even no-tuition public institutions of postsecondary education remains the concept that such a system benefits the society more than it costs the society.

I would like to see the principle of a free, public education extended through the 14th year. We should begin to look upon at least the first 2 years of postsecondary education as a legitimate area for the expansion of the ideas of free access, broad public support and an end to the degrading requirement that a student must, in effect, take a pauper's oath before he can receive a subsidy.

Allan Nevins makes an interesting point which adds to the linkage between what we think of as the public school system and higher education. Nevins points to the historical fact that the land-grant colleges, in the Midwest at least, actually preceded the secondary school system in time.

> Let us salute the sagacity of Morrill and his cofounders of our land-grant chain of colleges and universities. Actually, to found these institutions before the establishment of effective high school systems was not to put the cart before the horse; it was not to rear a castle in the air without supports. Sound arguments could be adduced for creating the universities forthwith. *They called the high schools into being.*

If we follow the temptation to raise a wall of financial separation between the people and their public universities, I can see a lessening of support for all of education, including secondary education, as a direct result.

Although most of my comments today and those in the past have dealt with the financing of public higher education, I do not propose abandoning the private institutions which are fundamental to American higher education.

I think my own subcommittee has an obligation, which it will take very seriously, to explore various ideas for the preservation of the private sector, and indeed, to help that private sector make its resources and its unique talents even more broadly available to young people.

I have no fool-proof plan. But I don't believe we are going to give much further consideration to the "answer" that takes the shape of higher tuition for students at public institutions.

The Congress has only a limited role in the fight to preserve low tuition. The main area of action, of course, will be the state legislatures. The brunt of the battle will be borne by the educators and the administrators who are here today.

Let me suggest you enlist in your cause the parents of those middle-income students who are being urged to carry the entire weight of the educational system on their already overburdened backs.

In the last analysis, in the field of higher education as in every other field, it is precisely the inexpert value judgments of the public which will prevail, and if we are to accept the basic idea of free government, should prevail. The interests that education legislation must serve first are the interests of the students who use the system and the interests of the parents and the other taxpayers who provide the system with all of its lifeblood.

Dr. John Raines, assistant professor of religion at Temple University, recently wrote for *Christian Century* an article called "Middle America: Up against the Wall and Going Nowhere." I think some of Dr. Raines' observations make a great deal of sense here. In 1949, he points out, 1 percent of the American people owned 21 percent of the total personal wealth in the nation. During the past 25 years, while we have been comforting ourselves with the idea that more and more Americans are becoming affluent, that 1 percent has raised its share of total personal wealth to 40 percent or more! Says Dr. Raines, "There has been upward mobility in America—not at the middle but at the top, which in 20 years has doubled its distance from the rest of us."

He further cites income statistics (already 6 years old, so we can safely assume that inflation has made them substantially worse) which show that in 1967, 56 percent of the American families in the $7,000-$10,000 income bracket, 67 percent of those in the $10,000-$12,000 bracket, and 75 percent of those in the $12,000-$15,000 bracket got there by having *two or more*

wages in the family. In other words, according to Dr. Raines, "Not massive middle-class affluence but massive middle-class moonlighting—that is what the figures show."

I submit that middle-class Americans in families where both parents have to work—sometimes at more than one job, just to stay where they are—are not going to understand the reasoning that suggests they are among the wealthy and that they are not paying their fair share of the cost of postsecondary education.

Let's remember while we are looking at this affluent auto worker—whose wife has an office job, who probably has a small equity in a house and owns an automobile he helped build 3 or 4 years ago, and who owes a large bunch of bills he and his wife are barely able to pay at the end of each month—that he is probably also paying a higher effective rate of tax, both state and federal, on his income-based wealth than the higher income professional man, or businessman, whose true wealth may well rest more on property income than on wage income.

Let's look at those figures, too, if you think we are creating a straw man here.

In 1967, the same year as that from which John Raines drew the statistics quoted above, the percentage relationships between wages and property as a source of income were as follows:

Income of $5,000 to $15,000—85% from wages, 12% from property.

Income of $15,000 to $25,000—78% from wages, 21% from property.

Income of $25,000 to $50,000—47% from wages, 51% from property.

Income of over $100,000—17% from wages, 82% from property.

Remember that the tax rate on property income averages 63 percent of the tax rate on wage income. Remember, too, that enormous amounts of that property tax derive from tax-free municipal bonds, and other tax shelters, and try to understand that the man whose income derives mostly from his own one or two jobs, and his wife's job, is not going to be impressed when we tell him that he is being "subsidized" because he is not charged most of what it costs to educate his kids at a university his taxes paid for.

Let me stay with Dr. Raines' article briefly, because he presents us with some very disquieting evidence about the life-style of these supposedly affluent, supposedly upwardly mobile, middle Americans. Let's look as he

does at the 1971 Bureau of Labor Statistics "Intermediate Level of Living" budget, and see how an urban family of four with an $11,000 income really lives:

First—almost $2,000 of that income went to taxes.

$50 a week went to food. When those figures were compiled that meant meat three times a week—mostly hamburger. I suspect that is a dimly remembered dream for many of these families today.

$219 a month went to housing expenses, including utilities, mortgage payments, furniture, repairs, etc.

$612 a year went to medical costs.

Almost $1,000 a year went to transportation—which is mostly the cost of getting back and forth to work and the grocery store.

A little over $1,000 a year went to clothing for this family of four.

$563 a year went to insurance, union dues, Christmas presents, and charitable contributions.

$684 a year went to amusements, including payment for the TV, to books and records and newspapers, a vacation, and school supplies and toys!

THAT is the life-style of an American family which the academic economists tell me is "above the median."

THAT is the life-style that some bankers, attorneys, and industrialists think can be made a little more austere so that these "upwardly mobile" Americans can avail themselves of the privilege of an education for their kids.

THAT is how the people live who are accused by some economists of not contributing enough toward their own kids' education, and the education of other people's kids, too.

Part, of course, of the rationale for seeking higher tuition payments is the acceptance, perhaps out of pure pessimism, of the idea, fervently preached by the present administration, that we have reached the highest level we can hope to achieve in the public support of postsecondary education, and that the only alternative is the rearrangement of those resources in more beneficial ways.

I am not suggesting any bad faith or evil motives on the part of those who accept, as graven on stone, the view of public priorities which has the blessing of Richard Nixon and Roy Ash. But we do not *have to* assume that we have no more resources to put into education. It is possible to lower financial barriers at the bottom of the scale, without raising them further up on that scale. And there is untapped wealth at the untaxed top end of the income scale which can be used to help pay the costs of public education.

But, above all, I am suggesting that the economists' assumption that education benefits only the student is wholly unproven!

I admit the validity of the argument that a college education substantially increases a student's likely income. The figure I have seen most emphatically offered is that a college degree holder will likely earn, over the course of his lifetime, something over $400,000 more than the average high school graduate. I am not sure that figure takes into account the effects of inflation either in terms of money or in terms of job credential requirements, nor am I sure to what degree that figure may be attributable to the personal drive and ambition that caused the degree holder to go to college in the first place. But let's assume for the sake of argument that the degree itself produces that $400,000.

My answer is "So what?"

The highway and the subway are both financed, in large part, by nonusers. In 1971, the United States government subsidized 13 regional airlines to the tune of $63,000,000, and we are subsidizing shipbuilders, airports, and the sale of wheat to Russian consumers! The tax system is filled with provisions which subsidize the home buyer, the borrower of money, the motorist, the user of installment credit, the contributor to churches and nonprofit organizations. And not least among the beneficiaries of this latter kind of public subsidy is the benefactor of the private educational institution.

I am not singling out tax subsidies or cash subsidies for criticism or defense. Whatever the merits of any one of them, we can all agree, at the very least, that the individuals who claim each of these tax or cash subsidies personally benefit from the activities subsidized. And some of those who do not benefit directly and individually from such subsidies are among those whose tax payments are needed to fund the *cash* subsidies and replace the *tax* subsidies. But a subsidy is justified—or not—in terms of the benefit to the public as a whole. And until we are ready to abolish altogether any form of subsidy to any activity which benefits any individual personally, then I think we have a long way to go before we can begin to justify singling out the student and his family for this exercise in moral regeneration.

I submit that we do not spend money on education—we invest it, and I submit that we have done so since the origins of this republic, and we have done so knowingly and wisely. The Northwest Ordinance, the Morrill Act, the long list of federal and state and local decisions to put public money to the most fundamental of public purposes—the education of children—all these bear witness to the validity of a concept that we are now being asked to discard, so that we can trim our educational aspirations to the Procrustean dimensions set by the Budget.

I think John Dale Russell made the point best in 1960, when he said:

> The reason for the support of education out of the public treasury is that an important public benefit is produced. . . . In these times there should be no question whatever that education beyond the high school for a great many young people is as essential to the public welfare and security as education of elementary school or at the end of the fourth grade.

There, I suggest, you have the argument in a nutshell. Either the education system benefits the society as a whole, and access should be truly universal, or it benefits only the student, and he should pay the entire shot.

If education benefits only the individual then we are beggaring ourselves as taxpayers to provide an expensive system of education, from the kindergarten through the 16th year, or beyond, which ought to be made available only to those who want to, and can pay for it. If that premise is correct, then there is, indeed, no justification for the public educational institution, and none whatever for the money-losing private educational institution. If that premise is right, indeed, education should be wholly a profit-making enterprise, and Harvard and Macomb County Community College should both start making money, or go into the drink.

But if that premise is incorrect, if as we have always believed, and as Whitehead so eloquently said, "The race which does not value trained intelligence is doomed," then the society itself derives a benefit from its educational system far in excess of any investment that can be put into it in advance by its immediate clientele. And if this is the case, I suggest that our job is not to try to accustom ourselves to today's small visions, but to raise our eyes to the goal of a truly universally available educational system without cost barriers.

I think we ought to—indeed, I think we must—try to create the opportunity for every American, whatever his background, whatever his economic class, whatever his age or the point he has reached in his career, to have access to a full range of postsecondary education opportunities, to the full extent he can benefit from them. The kid just coming out of high school, the mature person who wants to change a career or who finds that his career has been

threatened by technology, the person approaching retirement who wants to live a richer life—to each of these the doors of postsecondary education must be opened, and kept open.

And an indispensable element of this, an element without which we cannot remain where we are, much less move forward, is a well-financed, nationwide system of low-tuition or no-tuition state universities, colleges, and community and junior colleges. That element is no less valuable than the indispensable system of independent institutions which must be strengthened and preserved to provide a wide variety of choice for those seeking an education. I accept the proposition that private education should not be priced out of the educational market place.

We need our entire educational system.

There is more need for education, for competent teaching, for research, for the sparking of intellectual curiosity, and for training in job and professional skills, than we can hope to provide with the educational system we now have. The widespread acceptance of the idea that the demand—indeed, the need—for our educational system is shrinking is a counsel of despair on which we cannot build our educational policies.

The American people will support, as they are already supporting, a broadly-based, open educational system. And they will support it more readily if its costs are spread across the society it serves, and not concentrated wholly on those who happen at the moment—as undergraduates or graduate students—to be "using" the system.

The American taxpayer has earned his reputation as one of the most patient and law-abiding people in the world. He pays his taxes, even when he isn't altogether sure that he approves of what they are being used for. He knows he is paying more taxes than his president, and suspects, rightly or wrongly, that he is paying more than his banker, his doctor, his lawyer and perhaps even more than the economist who is pontificating on how well subsidized that taxpayer is! Tell that taxpayer that he has to help a little more to open up the doors to college for his own kids and everyone else's, and he will grumble, but he will help. But you tell him that the sacrifices he is already making, and the new ones you want him to make are not to help *his* kids—that he and his children are too "affluent" to need help—and we may have a very vivid bicentennial observation of the Boston Tea Party!

But I think we can avoid that kind of confrontation between those who want to save the values of a mixed educational system, and those who will, in one form or another, have to continue to carry the load. I think we can, without doing violence to our institutions, or stretching our legislative ingenuity out of shape, come up with educational finance systems which will be consistent with our own educational tradition.

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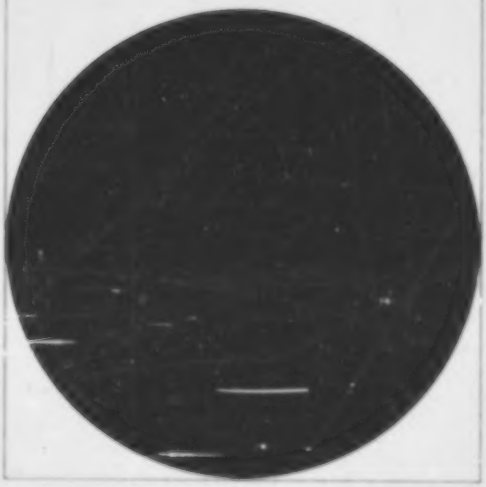
PART THREE

A View from the Campus



STATING THE CASE

A State Chancellor: Some Preliminary Comments on Postsecondary Tuition Levels

G. Theodore Mitau

Several factors have lately served to focus increased interest on the question of tuition levels for postsecondary education. They include:

1. Stable or, in some cases, declining enrollments
2. Financial difficulties of private colleges
3. Difficulties encountered by PhDs in the job market
4. Teacher surpluses in elementary and secondary schools
5. The contention that many young people of marginal academic interest and ability have been directed into our colleges instead of vocational-technical programs
6. A reordering of legislative priorities away from education in favor of pollution control, urban mass transit, improved law enforcement, and other areas for which the public seems to be calling for increased funding
7. Pressures to increase funding of elementary and secondary education to counter inequities in local property taxes.

Beyond these factors, of course, the work of various commissions and committees has served to bring additional attention to the question of tuition levels. Those study groups include the Carnegie Commission, the Committee on Economic Development, the National Commission for the Financing of Postsecondary Education and the Newman Commission. It is

against the backdrop of these and other studies one now considers the historical perspective of tuition levels.

Between World Wars I and II the number of high school graduates who went to college was relatively small. Those who did attend typically financed their college education through part-time work and help from parents or through some combination of scholarship and financial aid. Tuition was relatively low and the ratio between public and private rates varied from about one to two or perhaps as much as one to three. Major institutional support came primarily from state government, private philanthropy, and churches.

The post-World War II era was dominated by two occurrences. The G.I. Bill of Rights became the fuse which detonated the "enrollment explosion," and the successful launching of Sputnik in 1957 drastically altered the way in which college education was funded. Federal aid to students was vastly expanded through grants, contracts, and loans. Increased institutional aid was made available through research grants and assistantships, and for bricks and mortar. Colleges and universities became more aggressive and professional in their fund raising, and state and local governments significantly expanded their appropriations for the support of public institutions. At the same time, tuition was increased year after year by both private and public institutions.

In the later 1960s institutional aid became the agreed upon funding approach of the educational establishment. Colleges and universities needed funds to meet the steadily rising costs inherent in the new challenges presented by unprecedented enrollment totals.

But after 1970, the Nixon administration placed heavy emphasis on the so-called "market model." The rationale was that in a free society it would be best to provide federal aid directly to students. They could then exercise personal choice by taking their grants to any institution. It was argued that low-income students would be helped significantly by loans and grants; the poor and needy would require some degree of subsidy, possibly by increasing tuition for students who came from middle- and upper-class families.

Some viewed the market model as a means of narrowing the gap between public and private colleges by providing access to all students including the most needy. Further, it was said that students would be able to influence collegiate institutions as never before as colleges and universities sought to be more responsive to "student-consumer expectations."

Others took a much less optimistic view. They said college graduates return their tuition to society many times over through the higher income taxes their increased earning power generates. The anti-market model people

rested their case by saying it is in society's interest to make it as easy as possible for a large mass of student enrollment in postsecondary education, and that a more highly educated electorate provides a civic culture of benefit to all.

It is also true, of course, that there are no assurances that the monies resulting from higher tuition rates would be recycled by governors and legislators into education. Indeed, would they not be more likely used for competing social services as public spending priorities change?

Other practical questions arise with implementation of the market model having to do with guidelines to identify middle-class students; the issue of dual incomes when husbands and wives both work; the question of definition of a middle-class family income; the issue of eligibility schedules, and the political unwillingness of segments of heavily burdened middle-income wage earners to maximize earnings when they discover that some of their own children's tuition would in effect be redirected toward the needy or poor students.

Advocates of higher tuitions must also address themselves to what that would mean for the larger number of students who are self-supporting, for the older married student who might have to forego full-time studies for part-time, and for the concerns of older citizens who may seek additional education in order to change careers even beyond midstream.

To increase student loan monies to meet higher costs breeds another set of problems. These problems relate to such questions as the desirability of increasing the number of heavily indebted students, the issue of intergenerational financial justice, the nature of student indebtedness at a point in their lives when other long-term commitments have to be assumed, and the inflationary effect of loans on tuitions.

Many old-time political populists—and I would rank myself among them—believe that low tuition emphasizes the social benefits of public education. They argue that we need to arouse more people to the kinds of problems which our nation faces in a world characterized by simultaneous revolutions—social, economic, and technological.

Surely this is a most inopportune moment to desert a marvelous system of mass higher education, one which may well be the world's first example of a public commitment to an educated electorate.

For, as Steven Bailey wrote in *Ethics and the Politician*, "The ultimate ethical postulate of a democratic society is not that man is good but that he is capable of good. Not that man is free from corruption but that he is

desperately sick of it, not that man has created the good society, but that he has caught an unforgettable glimpse of it."

This is not the time to abandon the tuition policy which has made it possible to provide increasing numbers of Americans with something of an unforgettable glimpse of what a good society could be all about.

A University President: Where Do We Go from Here?

Harold L. Enarson

It is a dubious honor to be the "wind up" person on this extraordinarily stimulating program. Last week I attended a regional conference in Detroit at which I debated with a high level of spirit and a low level of information the report of the Commission on Postsecondary Education. Years ago I gave up on the problem of trying to read all the things that come across my desk, and now have difficulty reading even the tables of contents. So on the way to Detroit I just thumbed through the table of contents of that report and, of course, saw just enough clues to tickle all of the old familiar prejudices. I feel similarly disadvantaged today because I tried to read the statements even as I listened to the debate.

My assignment was to answer the question, "Where do we go from here?" I am tempted to be frivolous and suggest that we go to the airline terminal, check our ticket reservations, and go home to the problems that we are neglecting there. But that is strictly on a cost-benefit analysis. Seriously, I think we do owe a debt of gratitude to the cooperating organizations which have put this conference together, and I think we should also be grateful to the American Council on Education for its long-developing statement on the contested matter of tuition levels and possible state aid to the private sector.

I would like to make several observations on this whole matter.

First observation. I think the danger in conferences such as these is that they tend to be rendezvous of the faithful. But I really believe in this instance that our critics will make a mistake if they see this conference as only a defensive reflex against external assaults on our own true faith. The superb papers that were heard today are *not* recitals of shared convictions. They do represent a determined effort to think through, once again, the intellectual bases of our faith in low-cost tuition.

I would like to make a brief personal reference, and I suppose that the story could be duplicated around this room. I attended a one-room schoolhouse in rural Iowa free, at a time when farmers in that area were desperately short of money. I attended high school in Albuquerque, New Mexico, in the Great Depression at a time when the taxpayers in Albuquerque were desperately short of money. And finally, I was able to attend, at a trifling cost, the University of New Mexico for 4 years, again in the midst of a Great

Depression. Somebody believed in the value of higher education. Nobody was troubled by cost-benefit analysis. The earlier, simpler, and clearer thinking society knew in its bones that education and opportunity for the individual also meant a better society.

Second observation. I think the conference is 3 years late. We have let our critics once again take the battle to us, and I would assert that except possibly in professional football, defensive warfare is essentially a very bad game. We have failed miserably to see the magnitude of the threat; and I think we have here another demonstration of the slow, sluggish, too little and too late response of our Washington-based national organizations. (I hasten to add they are mirror images of the universities.)

The battle against rising tuition did not begin with the Carnegie Commission and the CED reports. In my view we have been slowly but inexorably losing ground in this regard for a number of years. In state after state around this great nation we are still losing the battle for low tuition. We have failed to articulate in clear, confident, strong terms the case for greater public support of quality education in our state universities.

Third observation. The key, underlying premises articulated in both the Carnegie report and the CED report have now been effectively demolished. We now have an intellectual and factual base for criticism. To put it very simply and crudely, we have at long last assembled the intellectual argument needed in our arsenal of weapons.

Fourth observation. It strikes me that both the CED and the Carnegie reports took us down a blind alley. They posed unanswerable questions which we have labored mightily to resolve. These impressive documents contain within themselves concealed value judgments which are in no way related to the impressive body of statistical charts and tables and assertions. And worst of all, they led us into that most ancient and treacherous debating trap—whether in a battle with one's wife or one's employer or anybody else—the either/or simplicity.

How can grown folks seriously enter into a discussion of whether higher education primarily helps the individual or primarily helps the society? A moment's observation, whether of an individual or the world around you, ought to suggest quickly and clearly that the assistance is to both—and in ways that are forever beyond reach of measure. By posing impossible questions, however plausible, the new breed of economists led us into a blind alley.

I think of a recent experience that we had in Ohio, where we too have a state regents task force on higher education. I am on the finance subcommittee of that group. We sat there taking testimony one day, and I was enchanted to

watch the antics of three young economists who came into the room with all the exuberance that one associates with somebody who has just returned from the Klondike. They had discovered, would you believe, by a study of tax returns, etc., that people who were more highly educated earn higher incomes in their lifetimes. That's right! They had discovered that, and really wanting to be helpful to our group, they had assembled some tables which further documented the obvious. Their solution was, of course, a loan system. They took an hour and a half to make this presentation, and when they left the room, they still didn't understand that they had never defined or articulated the premises of their thinking. And it was a sad thing.

To put it another way, we have tried to meet those economists on their own terms. Thankfully, those economists have not yet tried to assess the value of the newborn baby, or the American wilderness, or the Metropolitan Opera, or the social value as contrasted with private value of happy marriages. What then is the value of a doctor, or a lawyer, or a pope?

Fifth observation. The battle has now shifted to the states. As the storm passes over at the national level, we could have sad reenactments of this empty kind of debate in many of the 50 states. There are two ways to think of the Carnegie and CED reports. One is to take them seriously and deal with them in an intellectual frame. We have done that at long last. The other way to deal with them is to look at their impact on the thinking of the electorate and the people in the state legislatures. Whether the authors of these reports like it or not, the practical effect of both, in my judgment, is to raise questions that seem fair and reasonable on their face, and yet which are impossible to answer with any precision. To be more direct about it, the practical effect of both reports is simply to weaken those of us who struggle against tuition increases in the states, but not to answer the ultimate questions.

Sixth observation. The plea for low tuition is much too simplistic and argumentative, except perhaps in a college seminar. Can we, the public universities, really hope to freeze tuition at present levels indefinitely in the face of substantial annual inflation? I doubt it. It occurred to me as I was listening this morning that we just could stumble into the worst of both possible worlds—namely, frozen tuition backed by strong resistance of students on the one hand, and meager and crippling support from state legislatures on the other. And here, if I may, I would like to share with you the experience in one midwestern state, Ohio.

For the past 5 or 6 years in Ohio, we have been going through essentially the same painful process. The presidents make solemn pleas for added state dollars, and the legislature at long last passes an appropriation. All of our firm public declarations against tuition increases become naught, however,

when we look at the pressures within the university for increased support. So we turn with a great reluctance, and impose a new tuition increase on the student.

That was the social ritual which characterized the budget process in public higher education in Ohio until the last session of the general assembly. Apparently, in this session we hit the resistance point on increases in student fees. An awkward and loose alliance of students, parents, liberal legislators, and presidents managed to persuade the general assembly that they ought to hold the line on tuition charged for both years 1973-75. And believe it or not, we actually persuaded a legislature to increase support per student in the range of, as I recall, 5½ percent per year. To this day it astonishes me that very few in the legislature realize that when you support per student expenditure increases at the rate of 5½ percent, you necessarily require increase in state support on the order of perhaps 8, 9, or 10 percent.

Now this budget has forced serious retrenchment on our universities, and the second year will be much more difficult than the first for reasons you well know. Now comes the inflation and the energy crisis. I don't think for a moment that we can replay the drama of 2 years ago in Ohio; not when inflation is running 7 and 8 percent per year. We face an utterly cruel choice as administrators in individual institutions. We have both the understandable student pressure for holding the line on tuition, and the faculty insistence that salaries must keep up with inflation.

Parenthetically, I would add just a few suggestions to Dr. Van Alstyne's paper. In addition to increased costs for minimum wage, which she mentioned, I would add those for utility bills. The increased cost of utilities is simply going out of sight.

Of course another factor that is going out of sight is increases in the cost of libraries. My own solution to this impossible problem (or rather my own suggestion) is that we stop talking about no more increases in tuition and turn instead to the student's fair share of the cost of instruction. If the overall budget is going up 10 percent, then I would argue that both students and the state should share in that cost, though I should add that I don't think for a moment there is any perfect ratio in terms of these shares.

Seventh observation. This is a highly personal observation. The national debates—as symbolized by Carnegie, CED, the Newman Report, and the Commission on Postsecondary Education—were simply out of phase, out of focus, with the kinds of issues and concerns that I detect as I talk with our legislators. I don't hear anybody in the Ohio General Assembly talking about the social benefits of an education at Ohio State University. I have never heard a legislator talk about "cost-benefit" analysis. I doubt if more

than a few have heard of the Carnegie Commission report or any of these other reports. And you can be sure they do not intend to read them.

Yet, they are concerned with better management—but they are concerned about it in very human terms. They hear about a professor at Ohio State who is moonlighting, and they don't like it. They hear from some constituent that a professor so-and-so hasn't met his classes for the last 3 weeks because he is taking a tour of Russia, and they don't like that. It is on that fairly elemental level that they are concerned about faculty workload, and so forth. The other real concern—and I would argue that this is a fairly general phenomenon—relates to finding additional spaces in law school, medical school, dental school, physical therapy programs, and in other areas as well, for their constituents. That's what legislators are talking about in the corridors.

Eighth observation. In my judgment we are still papering over a really basic unanswered question. What is the rationale for state support of private colleges and universities? The ACE statement seems to me to conceal more than it clarifies. It simply papers over and leaves to each individual state this extremely difficult question of how to fashion a system of state support to private colleges and universities that is truly in the public interest. A number of the programs we now have on the statute books are simply exercises in camouflage and concealment, designed to provide indirectly what the state is reluctant to do directly.

And finally, my last observation (for whatever it is worth) is that we need a new agenda in higher education. The debates and the discussions that circulate and swirl around these recent reports do not provide a useful frame of reference as we move into the state battles to restore confidence in higher education, to keep (or achieve) low-cost tuition, and to garner added financial support.

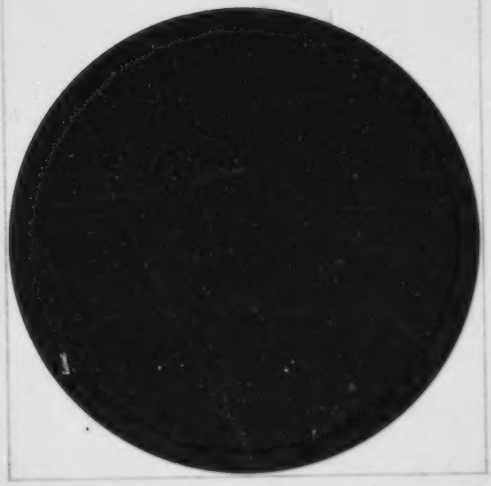
I don't have the time or the talent to design that agenda for you, but I am sure it should include the degree of response that the universities have to emerging needs. I think it must somehow deal with matters of quality, and with matters of expansion of opportunity into those areas where there is an acute public concern.

We have developed in the past 7 years in Ohio under the board of regents (despite considerable wastage in the process) a comprehensive system of postsecondary education. We have, in many reports of the board of regents, impressively detailed data: storehouses of quantitative data on student

credit hour production, on the utilization of offices at 8:00 a.m. throughout the state of Ohio, and the like.

Nevertheless, I would make this conclusion: Yesterday's agenda is never good enough.

Appendixes



Appendix 1

ACE STATEMENT ON TUITION POLICY

The American Council on Education is deeply committed to two fundamental goals. The first is the social goal that all those seeking postsecondary education have access to a broad range of opportunities; the second is an educational goal to assure high quality postsecondary education in America through the healthy coexistence of public and private institutions. The council believes that public policy must not waver in the pursuit of these goals. Recent debates about desirable levels of tuition in public institutions have threatened to pit these two essential propositions against each other.

Private education needs substantial help if it is to maintain its vigor—including help from public sources. ACE is committed to the task of seeking solutions to the present financial plight of the private sector. Along with the public sector, private postsecondary education is contending with staggering financial burdens induced by inflation, the energy crisis, and limited sources of revenue. In this context of financial need, tuition increases in public institutions have been proposed as a means of assisting private institutions, through reducing the competitive disadvantage of private institutions in attracting students. ACE does not believe that accelerating the rate of increase in tuition will have the predicted effect. Its effect will be to heighten the financial barriers to education for everyone, but particularly for the student from middle-income families. The predictable net result of increased financial barriers will not be a shift of enrollment to private institutions but a decrease in ease of access to all.

To help private education ACE endorses a policy of basic public support for a part of the costs of educating students in private institutions. A judicious mixture of student loans, scholarships and fellowships, and cost-of-instruction grants—the costs shared by our state and national governments—can assist our private institutions without increasing the costs to students in the nation's public colleges and universities, many of which are already seriously overburdened.

ACE feels it necessary to make a statement at this time because many state legislatures are presently considering substantial tuition increases in public institutions. In part, such increases are being justified as consonant with major reports on the subject of financing postsecondary education issued by the Carnegie Commission and the Committee on Economic Development. These important and complex reports, differing widely in the substance and timing of many of their recommendations, but both associated in the public mind with a conscious policy of increasing tuition and fees over time in public institutions, are subject at present to vigorous analytic debate within the scholarly community. ACE is convinced that immediate reliance upon selected portions of these recently issued reports for immediate policy direction is premature.

Both reports accompany their somewhat differing recommendations concerning tuition increases with recommendations for compensatory relief for low-income students. ACE is fearful that the net political effect will be an increase in tuition without the relief. Already existing pledges of aid to help low-income students are woefully underfunded. Hard-pressed institutional funds are unlikely to be allocated to increase student aid. As a consequence, an increasing number of students will be obliged to limit their educational choices or to incur even heavier burdens of debt, or both.

ACE recognizes that other arguments are advanced for increases in tuition. Both the Carnegie Commission and the Committee for Economic Development argue that a disproportionate share of the benefits of public support for higher education go to middle- and upper-income families and, therefore, that it would be more equitable to raise tuitions and to offset tuitions with increased assistance for low-income families. As we have indicated above, we believe this assumption that increased aid will automatically accompany increased tuition is tenuous in the extreme. But we believe equally fervently that inequities in benefits to different income groups can be met in other ways, including taxation. To quote Howard R. Bowen, we should not "convert the educational system into a device for redistributing income." The effective way to achieve a fairer distribution of the benefits of higher education is to keep tuition low at all institutions and to work harder to broaden access to all institutions, public and private.

ACE believes that the moves to accelerate the rise in tuition rates in public institutions are dangerously divisive. The council believes that private education should support low public tuition and that public education should encourage the use of public funds for the assistance of private education.

The Congress took a major step toward the attainment of the twin goals of equalization of opportunity and diversification of option in its enactment of the Education Amendments of 1972. The promise of that legislation awaits fulfillment through funding action by the administration and the Congress. Our collective effort should be to secure that fulfillment.

Appendix 2

AAC STATEMENT ON TUITION POLICY

The Board of Directors of the Association of American Colleges views with grave concern the threat presented to all of higher education by the divisive effect of current arguments about tuition charges in publicly-controlled institutions.

The Board is distressed by confusion and misapprehensions arising in the debate, and it takes particular note of the fact that pricing is but one of the important factors in the complexities of policy on the financing of higher education.

The Board recognizes that the states, in their various approaches to the financing of colleges and universities, face difficult problems in providing the funds necessary to support these institutions, and acknowledges that, for reasons beyond the purview of the institutions, tuition charges in public institutions are tending to rise.

But this Board is convinced that it is illusory to believe that this tendency offers a solution to the financial problems of privately-controlled institutions or that an effort to assist private institutions by increasing tuition in public institutions, however well intentioned, can be effective.

The only course of public policy that will contribute effectively to solving those problems in a manner fair to the interests of students, institutions and taxpayers alike is a truly comprehensive program of student aid that will enable the collectivity of academic institutions, public and private, to offer students, regardless of social and economic status, unfettered opportunity for pursuit of their educational goals.

Appendix 3

A JOINT STATEMENT BY AASCU AND NASULGC

Financing Higher Education

Low Tuition: The First Priority

It is an irony of our times that some who champion more nearly equal access to post-secondary education would first of all destroy a principle—no or low tuition—which historically, through public colleges and universities, has provided an open door for all.

The record is clear. The first public university was founded in the 18th century. The normal schools and teachers' colleges, many of them forerunners of the present state colleges and universities, came early in the 19th century. These institutions, together with the land-grant colleges established under the Morrill Act of 1862, greatly expanded opportunity for the children of poor and middling families and offered a diversity of courses never seen before. The rapid expansion of the community college movement is part of the same thrust for broader access. In our own time, as enrollment has quadrupled since 1948, the percentage enrolled in public institutions of higher education has increased to about three-quarters of all students attending college.

Now higher education—*all* higher education, public and private—faces grave financial problems. The public institutions risk erosion of programs, quality, facilities and salaries. Many private institutions hazard bankruptcy.

We are concerned about the good health of private institutions as we are about the public. We support a diversity of types of institutions. The necessary support should be found for all who need it. The six national associations, representing among them nearly all the colleges and universities in the nation, have consistently advocated federal aid to institutions based on a fair formula as the best way to enhance the quality of higher education as well as assuring survival of institutions. But we oppose totally the congeries of proposals which purportedly would "save" private institutions by raising tuitions at public ones. We believe that the

most effective means of expanding educational opportunity is to keep the cost of education to the student as low as possible.

The champions of high tuition for all students are attacking a system of financing higher education—public subsidy to public institutions—which is a proven success with a counter-strategy based on a series of related but unproven assumptions about the consequences which would flow from increasing public tuitions. It is noteworthy that the national board of the Association of American Colleges, which includes in its membership more than 700 private colleges and universities, stated at its recent 1974 annual convention that it is "illusory" to believe that raising tuition at public colleges would be an effective way to help private institutions.

There is no proof that higher tuitions at public institutions would send more students to the private institutions, nor that more students necessarily would solve the problems of the private schools. The argument that states should increase tuitions in order to provide more student aid is specious; state governments would be free to spend these funds any way they please. And so they should be; that is what federalism means. Moreover, it should not be forgotten that historically the states have been the principal supporters of public education and still are.

With increased tuition, governments must make ever-higher grants to the poor who then can get post-secondary education only by becoming wards of the state.

That part of the so-called "middle class" that has small incomes has no choice but to borrow—if it can find lenders—at high interest rates. Moreover, experience shows that many of these families have had bad times with debt and are reluctant to borrow.

The true middle class—those who can pay high tuition from income or assets—will pay taxes that are used to educate other people's children and pay fully to educate their own children. Fairness suggests they should pay both through a progressive income tax.

The true victims of increased public tuition clearly would be the lower-income, middle class, who cannot pay high tuition and whose children are not eligible for public student assistance. We want to keep the door of opportunity open to them.

The Education Amendments of 1972 reflect the desire of Congress to help students from low-income families. They also reflect the congressional desire to help maintain institutional integrity—through various categorical programs and the provision for cost-of-instruction grants to accompany federally-assisted students. We believe both goals must be supported by

those who believe that both society and the individual are served by education beyond high school.

These Associations and the institutions they serve, which among them teach more than half the students in American colleges and universities, will not waver in their defense of a principle that has enabled them to maintain quality and diversity while extending opportunity to an ever-increasing number of young Americans.

Appendix 4

GUIDELINES FOR PUBLIC SUPPORT OF COMMUNITY AND JUNIOR COLLEGES

A Report from the Committee on Financing

American Association of Community and Junior Colleges

A coordinated system of finance recognizing all elements of higher education is necessary. However, our assignment is to recommend guidelines for public support of the types of institutions that make up the membership of the American Association of Community and Junior Colleges.

We endorse the view that since there are different levels of social needs and varying institutional costs, there should be different levels of public responsibility with respect to higher education at the lower division, upper division, and graduate levels.

We reaffirm our belief in extending educational opportunity until it is universally available to the associate degree level. The diverse opportunities and resources of both public and private institutions should be utilized to achieve this universal access.

We believe in the wisdom and value of the diversity of state patterns that have emerged from various local traditions and state planning efforts.

We see these elements in our environment for the next few years: (1) a growing student population made up of persons of an increasing diversity of ages, incomes, and interests, since all persons in the community are potential students; (2) a growing demand for additional programs, especially in the occupational and continuing education areas.

Finally, we agree that responsibility for financing postsecondary education should be shared by a combination of public and private sources. Among the sources that should be used—in different combinations and in different ratios in the various states and in various institutions—are federal, state, and

local governments, and private sources, including individuals and organizations.

Against this background, we make these recommendations:

1. Student tuition in publicly supported community colleges should remain low and, where possible, there should be no tuition charged as is the case in California where more than one-fourth of the students in the nation's community colleges are enrolled. Tuition in privately supported junior colleges may, of necessity, be higher than tuition in public colleges, but should not be prohibitive to middle-income groups.

2. Local and state contributions to publicly supported community colleges should continue to carry the primary burden of supporting these community based institutions. The patterns of local and state support vary among the fifty states because each state has worked out its own system and this is as it should be. The important thing is that each state's pattern should be based on careful study of its resources and needs and a master plan developed with broad participation in the planning activity.

3. Among the resources that should be taken into account in state plans, are the existing privately supported junior colleges. Local and state funds should be available to help support services offered to the public by the private sector where such action can avoid unnecessary duplication.

4. Community colleges are distinctly community service institutions and, as a first priority, should be closely identified with their localities. Recognizing the desirability of state planning and of accountability to multiple sources of support, it is fundamental to the nature of the institution that control remain as close to the community as possible.

5. Federal support of community and junior colleges should be in the nature of additional resources, over and above the base support provided by local and state governments, with special emphasis on strengthening institutions through institutional grants and increasing access for low-income families through grants directly to students.

6. Individuals and organizations should be encouraged to make private contributions to those institutions that they feel merit their support. Special attention should be given to those institutions that depend on private support for their financing. Such contributions will not only aid a particular institution but also help preserve a needed diversity in our national system of higher education.

7. It is important that all patterns of support be carefully planned to facilitate, not impede, the mission of the institution. Thus, it is essential that each institution invest the necessary effort to assess community needs and to precisely delineate its goals and objectives and communicate them accurately to the public.

8. All funding patterns should be structured to encourage the development of improved management techniques in both public and private institutions, including adequate measurement and reporting of outcomes. We recognize our accountability as a desirable requirement in order to enjoy public confidence and support.

9. Better measurements are needed of costs, services performed, and results achieved. Present statistical measures often do not reflect the mission of community colleges and they are inappropriate for analyzing financial needs. Models of new data systems are being developed but they require a sizable financial investment to become fully operative. Such investments should be made at institutional, state, and federal levels in the interests of improving the financing of postsecondary education.

10. Differentials in program costs in community colleges should be recognized in funding patterns but they should not be passed on to students. Students from low-income families should not be prohibited from enrolling in high-cost curricula. Occupational programs and community service functions fit the distinctive community-based mission of our institutions. These programs and services are rapidly expanding in enrollments. They should be funded on a basis that recognizes their equal importance with transfer and general education courses.

11. The concept of universal opportunity for 14 years of education must take into account that many persons should have access to community-based, postsecondary education without regard to the timing of that education in a person's life. Patterns of financial support should encourage these colleges to offer appropriate services to all ages of adults and encourage all ages to participate.

12. Financing procedures should be structured within each state so that resources reach the institutions by the most direct route possible consistent with efficient state planning and coordination.

September 1973

Appendix 5

FINANCING POSTSECONDARY EDUCATION: THE CASE FOR LOW-TUITION PUBLIC HIGHER EDUCATION

I. Introduction: A Statement of Principles

1. The American system of public higher education is a precious national resource. Since its beginnings almost 150 years ago, this network of land-grant universities, state colleges, and community colleges has grown so that it now provides access to millions of people—today, to about three-fourths of all college students.

2. Like our free public school system, of which it is a logical outgrowth, public higher education is the envy and wonder of the entire world. It has contributed enormously to our well-being, through research and public service as well as instruction, and it is today a principal hope for resolving many of the problems which confront us.

3. The alternatives to low tuition proposed by the Carnegie Commission, the Committee for Economic Development, and others rest in varying degrees on shifting the financial burden of higher education to the student and his family. For most middle-income and lower-middle-income students, and quite possibly for low-income students as well, higher tuition means heavy borrowing, probably at high rates, and large debts—or not going to college at all.[1]

This is a staff paper prepared by the American Association of State Colleges and Universities for the National Commission on the Financing of Postsecondary Education.

[1] For further discussion of long-term loans and loan bank approaches, see Robert W. Hartman, *Credit for College* (New York: McGraw-Hill, 1971), D. Bruce Johnstone, *New Patterns for College Lending* (New York: Columbia University Press, 1972), and John P. Mallan, "Current Proposals for Federal Aid to Higher Education," in M. D. Orwig (Ed.), *Financing Higher Education: Alternatives for the Federal Government* (Iowa City, Iowa: The American College Testing Program, 1971), especially pp. 311-314 and 322-330.

4. No amount of rhetoric about helping low-income students, saving private higher education, or increasing student choice should be allowed to mask the effects of high public college tuition and heavy debts on millions of Americans.

5. Increased student aid is not and cannot be a substitute for low tuition, although it should be a supplement. Federal and state student aid programs are subject to the annually shifting political and economic priorities of federal and state bureaucrats, politicians, and bankers. *Low tuition is a long-term guarantee of access to higher education; student aid cannot be.*

6. Student aid alone cannot provide institutions with the resources needed to plan ahead, to provide new instructional programs, research programs, and services to meet changing needs. Institutional aid is necessary, both for institutional stability *and to help keep tuition down*—thus aiding millions of middle-income and lower-middle-income students who are eligible for little or no student aid.

7. Student aid programs for lower-income groups alone, combined with higher tuition, would bring about a new and highly undesirable class discrimination in American higher education. Well-to-do students would be able to pay their way and graduate debt-free; lower-income students might also obtain a subsidized education and graduate without debts. Middle-income and lower-middle-income students would have to pay much more and take on large-scale debts after graduation.

8. Raising public tuition as a way to "help private colleges" would force millions of middle-income and lower-income families to pay more and take on debts. Direct institutional aid and student aid to private colleges is a far more equitable way to help these institutions.

9. In conclusion, it would be both tragic and foolish for the American people, at this point in history, to abandon a century of unparalleled success with low-tuition public colleges for a dubious and untried system based largely on higher charges to students.

* * * *

The paper which follows develops some of these points in greater depth, and also examines some of the arguments for and against raising tuition.

II. Some Arguments for Raising Tuition

Here are some of the most frequent arguments for increasing tuition:

1. Because present state taxes are often regressive, the burden of support for public higher education falls disproportionately on lower-income families which are less likely to send their children to college and therefore do not "benefit." Conversely, many upper-income families who benefit could afford to pay more.

2. Raising tuition would "make available" more funds for public higher education, which could be used to provide aid to lower-income students.

3. The most efficient way to aid lower-income students is to give them direct federal and state aid, while charging everyone more tuition.

4. Some middle-income and lower-middle-income students now attend private, higher-tuition colleges. If these students can afford to pay higher tuition, why can't other middle-income students do so?

5. Raising tuition would decrease the gap between public and private college costs, and thus help private colleges attract more students.

6. Students should have more choice of the type of institution they attend. They should not be limited to a low-tuition public college close to home for financial reasons, but should be able to go to a more expensive public, private, or proprietary school. But, because federal and state government resources are limited, this choice is only possible if tuition is raised to obtain more overall revenues, and if students are able to obtain grants or loans to go to any college they wish.

7. Raising tuition will give the student more power over the institution, since he will pay a greater share of costs. This will force colleges to become more responsive to student demands.

8. It is unclear to what extent higher education benefits the individual graduate, and to what extent it benefits society in general. To the extent that the individual benefits, he should pay more.

There are other reasons for raising tuition, of course. The most frequent reason in practice is simply that a given governor or state legislature is hard-pressed financially. However, an ad hoc pressure to raise tuition in one state in one year—often by a relatively small amount—is very different from a concerted nationwide campaign to raise tuition in all states.

A great danger in the tuition controversy is that hard-pressed or fiscally conservative politicians at the federal or state level will seize upon dubious theoretical justifications for raising tuition, as a way to balance their own budgets.

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III. Rebuttal: The Case against Raising Tuition

Dealing in depth with the arguments against low tuition is not easy. Each calls for substantial research and analysis; but in most cases adequate information is unavailable, fragmentary, or subject to widely varying interpretations. The millions of dollars spent on research by the Carnegie Commission and other governmental and nongovernmental groups have not provided the country with a firm data basis for either accepting or rejecting many of the arguments made for or against low tuition.

Given such uncertainty among research scholars, decision makers should move very cautiously in recommending radical changes in a system which involves so many millions of people.

Here is a rebuttal of each of the points made in Part II of this paper:

1. *Regressivity of state tax burdens.* Scholars such as Dr. Joseph Pechman, Director of Economic Studies at the Brookings Institution, have raised serious doubts about the charge that low-income families are bearing a disproportionate part of the costs of public higher education. Dr. Pechman believes that, on the average, lower-income people receive greater direct benefits from public higher education than the taxes which they pay.[2]

The Carnegie Commission report *Higher Education, Who Pays?* makes a similar point on pages 43-47. The commission points out that while lower-income families which do not send a student to public colleges do not receive a direct subsidy, those who do receive a considerably larger subsidy than the taxes which they pay.[3]

Some further points about the problem of regressivity:

- Today, federal, state, and institutional programs are making a major effort to attract more low-income and minority students—with

[2] Joseph A. Pechman, "The Distributional Effects of Public Higher Education in California," *Journal of Human Resources* 5 (Summer, 1970).

[3] Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw-Hill, 1973).

considerable success. As more such students go to college, part of the existing regressivity will be eliminated.

- To the extent that regressivity is seen as an inequity, it should be corrected by changing the tax system, rather than charging higher tuition to all students.

- College graduates pay higher federal, state, and local taxes. In this way, most college graduates repay the subsidy they received in the form of low tuition. Many of them repay it several times over.

- The *absolute* amounts paid by many low-income families as taxes used for public higher education are small—in many states, probably only a few dollars per year.

- Low-income families benefit from public higher education even if their children do not go to college. Public colleges train most of the teachers, social workers, health professionals, businessmen who create jobs, and a host of others whose work helps the poor in many ways.

- Lower-income families benefit greatly from the increased willingness of college-educated middle-class people to support social and civil rights programs which benefit the poor. This is shown very clearly in an important Carnegie Commission report on the social benefits of higher education, a study which has not received the attention it deserves—Stephen Withey's *A Degree and What Else?*[4]

It is not necessary for every public service to benefit every income group proportionately, in order to have overall equity. While lower-income people as a group may pay more in taxes than they receive as participants in public higher education, they also receive more benefits from other programs than they pay taxes for. This is unquestionably true for public welfare and elementary and secondary education, and to some extent for public health services, public housing, and many other government programs. A realistic picture of taxes and benefits should show the flow of *all* government benefits to each income class.

2. *"Making available" more resources for poor students.* This argument is based on the serious misconception that increased tuition revenues will somehow be "recycled" to provide student aid for the poor. This is simply not the way the system works in most states. Such funds usually revert to state or local treasuries, where they may be used for any government purpose. Even when the institution is allowed to keep the funds, the legislature will take notice, and is likely to subtract them from appropriations. Further, even if a particular state passes a law earmarking

[4]Stephen B. Withey, *A Degree and What Else* (New York: McGraw-Hill, 1971).

increased tuition revenues for student aid, there can be no guarantee that the next state legislature will continue the commitment.

3. *Using student aid to make up for tuition increases.* Both the Carnegie Commission and the Committee on Economic Development reports seem to believe that tuition increases—voted on separately by 50 state legislatures and by hundreds of local community college districts—can somehow be "coordinated" with increased federal and state student aid, in such a way that student aid grants will make up for tuition increases, for very low-income students.

Middle-income and lower-middle-income students—with family incomes as low as $10,000 in some plans—would *not* receive grants adequate to offset tuition increases; they would have to pay more and probably go into debt, along with all students with family incomes above the median, now around $11,000.

All federal student aid programs have been funded far below the level of need in the 15 years since the passage of the original National Defense Student Loan Program. Present student aid programs are inefficient and inequitable in many ways: many states do not get a proportionate share of available funds; some colleges within each state do not receive a proportionate share; funds have become available too late in the year, because of political and budgetary controversies; federal regulations, guidelines, and procedures have involved inordinate delays and resulted in great confusion and red tape.

Further, student aid programs have been the target of various "hidden agenda" plans to do away with aid to all students except the very poor, and force most students to rely on expensive high-interest loans.

Indeed, at least one prominent economist associated with the high-tuition, large-student-debt approach has publicly recommended that the new state scholarship incentive program be used as a device by which the federal government can pressure state legislatures to raise tuition in the 50 states![1]

These policy shifts and bureaucratic delays in student aid programs have involved many different players in the political game—Office of Education bureaucrats, bitter opponents of low tuition in some high economic and fiscal planning offices in the federal government, OMB officials attempting to cut the budget in any way possible, and others. These shifts have not

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[1] Robert W. Hartman, *Higher Education Subsidies* (Washington: Brookings Institution, 1972), pp. 481-484.

been limited to one administration, but involve years of controversy under Presidents Eisenhower, Kennedy, Johnson, and Nixon.

To the bureaucratic in-fighters on student aid must be added the varying political factions in both houses of congress and both political parties, on the Education and Appropriations Committees. Individual personalities on the congressional committees and their staffs have also influenced the direction taken by student financial aid programs.

Finally, there are the bankers—the private lenders who are essential to any private loan program like the Guaranteed Student Loan Program. The bankers' own fiscal priorities, their willingness to lend to students, has varied over time with the money market, the overall economic situation, and other factors.

Given this political and economic melange, with the further political uncertainties which affect 50 state legislatures and 50 governors, there is no way that the Carnegie Commission or anyone else can guarantee a "magic money machine" in which tuition can be raised with the assurance that adequate student aid funds will be available from year to year.

Low tuition, again, is a far more stable guarantee of educational opportunity. AASCU believes that student aid should also be available—especially in the form of grants, work-study, and low-cost NDSL loans. But AASCU believes it is dangerous to rely on the promise of student aid as a way either to help students or to provide adequate resources for institutions.

4. *Can middle-income students afford private higher education?* A member of the National Commission on Financing Postsecondary Education has referred to census data which shows that a substantial percentage of the students attending private colleges, especially 4-year colleges, are from middle-income and lower-middle-income families. The implication of this data, to him, seems to be that high tuition has not been a barrier for college attendance for many middle-income students.

It is difficult to deal in depth with this question because there is very little detailed information from the census or elsewhere on income class and college attendance. However, here are some points:

- The same census data show that a large majority of middle-income and lower-middle-income students attend *public* colleges. The fact that some members of the group are able to afford private colleges does not "prove" that all of them can.

- Such aggregate data do not show the actual cost of attendance at such colleges for middle-income students. For example, many students, especially in the urban Northeast, may be commuters; it may be little more expensive for them to commute to a private college than to pay residential costs at a public college.

- Many students at private colleges receive substantial student aid, from institutional sources as well as public sources. One estimate is that private colleges may be spending *eight times* as much institutional aid per student as public colleges. This would bring the cost for many students down substantially.[1]

- Such census data do not indicate family assets or ability to borrow. Some middle-income families may have substantial assets or savings, or better credit than other families at the same level.

- Census data based on the family income of dependent students are not relevant to the problems of students who are largely self-supporting, older, often married, working, and attending college on a part-time basis. A large and growing number of students at urban community colleges and state colleges fall into this category; they are heavily dependent on low tuition.

- A number of factors other than tuition obviously affect college attendance or nonattendance at each income level. One factor is geographic access to college, and commuting costs versus residential costs. Another is college admissions policies; for example, in New York City many more middle-income students are attending public colleges since the open-admissions policy was adopted. Other factors include academic ability and motivation—some academically able low-income and middle-income students win scholarships to private colleges. Other cultural and motivational factors affect the choice of a college by a student or his parents; for example, some religiously motivated parents may make unusual financial sacrifices to send their children to church-related schools.

In short, tuition alone may not determine whether a middle-income student will attend a public or private college, especially in the urban Northeast. In many parts of the country, however, the public college is the only financially feasible choice.

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[1]These estimates are based on John D. Millett, *Financing Current Operations of American Higher Education* (Washington: Academy for Educational Development, 1972), p. 5, Table 2.

AASCU continues to believe that higher tuition would bar many middle-income students from college, or force them to take out expensive loans.

5. *The "tuition gap."* To AASCU, the weakest and least justified argument for raising tuition is to "make private colleges more competitive." This is a recommendation to tax the 75 percent enrolled at public colleges to help the 25 percent at private colleges—to place a large tax and large debt upon six million students, many of them middle-income and lower income, to help colleges enrolling two million students, some of them quite well-to-do.

Private higher education is concentrated quite heavily in the Northeast and Middle Atlantic states and a few other areas. This policy, if carried out nationwide, would require middle-income students in Florida, Texas, and California to be taxed more heavily to "help" private colleges in Massachusetts and New York!

One AASCU president has suggested that this policy is "like raising the price of chuck, to make sirloin more attractive."

There is an alternative. AASCU and other associations representing public higher education have worked consistently over the years for federal programs which benefit private colleges as well as public colleges—student aid, programs for the disadvantaged, graduate fellowships, facilities construction, institutional aid. To the extent that private higher education should be supported with federal funds, this kind of direct assistance is far more equitable than simply taxing all students at public colleges.

6. *Student choice.* Some commentators say that equality of educational opportunity means that students must have a choice of several or many public, private, and proprietary colleges, and not simply access to one or a few low-cost public colleges.

This viewpoint is taken, for example, in the College Entrance Examination Board report, *Toward Equal Opportunity for Higher Education*, which takes the position that low-income and especially minority students in particular should have access (through large grants) to more expensive universities and not be "forced" to go to "lower-cost" public colleges.

There has been some discussion on the part of the members of the National Commission on the Financing of Postsecondary Education about this same point. Some members have talked of the necessity of *"a trade-off between access and choice"*—for example, putting less federal and state dollars into

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College Entrance Examination Board, *Toward Equal Opportunity for Higher Education* (Princeton, N.J.: CEEB, 1973).

access at low-tuition public colleges, and more into student aid to help students go to more expensive colleges. One implication is that if there is not enough additional public money for institutional support, public colleges will have to charge higher tuition.

For most students except the very poor, such a "diversity of choice" plan is likely to mean simply an opportunity to borrow more money at higher rates.

AASCU believes that the resources available to higher education can and will be expanded in the decades ahead. The American people should not accept the argument that tuition must rise in order to expand "choice."

AASCU also believes that federal and state governments should consider very carefully the extent to which public funds should go into making it possible for students to attend very expensive institutions, whether private or proprietary, particularly if funds used for this purpose are taken away from public colleges, resulting in higher tuition.

7. *"Student power."* The view that students should have more power over higher education—and that they will have it if they pay more—has won some adherents in recent years. Some of the more radical critics of higher education, still waiting for the "greening of America" which student power is supposed to bring, have used this as a reason for high tuition and large loans.

There are at least two strong arguments against this point of view. One is that most higher tuition-plus-student-loan plans would lead only to the student paying a somewhat greater share of the instructional cost. Students in this situation would have all the disadvantages of high tuition and larger debts, but none of the presumed advantages of really "controlling" the institution.

The stronger argument is that while students might like greater control over the educational process, very few believe that they should pay for it with much larger debts. They do not want to begin their early postcollege years with heavy debt repayment schedules—nor do they wish their spouses to be burdened with such debts. Most would also be unhappy with a situation in which the well-to-do and some of the poor avoided debt, but no one else did.

Most students also believe that a greater share of the Gross National Product should be devoted to higher education subsidies, and that tuition should be kept low.

8. *Social benefits versus individual benefits.* After spending some six million dollars in 6 years and involving what were purported to be some of the best minds in America, the Carnegie Commission was unable to come

up with a way to quantify the benefits of higher education to the individual or to society. It was their general conclusion that since the individual and his family now pay about two-thirds of the cost, and the individual keeps about two-thirds of the additional income result from college (the rest going to increased taxes), the present funding pattern is generally an acceptable one. Nevertheless, they urged higher tuition at public colleges.[8]

Several recent books and articles make a very persuasive case that the social benefits of higher education are very great, and that this justifies keeping tuition as low as possible. The reader is referred to articles by Howard R. Bowen and Paul Servelle, and to a Carnegie study by Stephen B. Withey. All of these publications deserve much more attention than they have so far received.[9]

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IV. Conclusion: Some Public Policy Implications

1. Both federal and state policy makers should seek alternatives to higher tuition and larger student debts. These alternatives must include adequate student aid programs as well as adequate support for institutions.

2. Student aid policies should emphasize grants, work-study, and low-interest-rate, subsidized loans along the lines of the National Defense Student Loan Program.

3. Federal and state policy makers should review very cautiously all proposals for long-term student loans, contingency repayment, and loan banks, as well as any changes in the Guaranteed Loan Program, to be sure that they are not based on "hidden agenda" plans to shift public college students to higher tuition and larger debts. The same is true of efforts to use the state scholarship incentive program, or any other federal program, as a way to pressure the states to raise tuition.

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[8] Carnegie Commission, *Higher Education*, pp. 3-4.

[9] Withey, *A Degree and What Else*; Howard R. Bowen, "Finance and the Aims of American Higher Education," in M. D. Orwig (Ed.), *Financing Higher Education*; Bowen and Paul Servelle, *Who Benefits from Higher Education—and Who Should Pay?* (Washington: American Association for Higher Education, 1972).